

Hupac Annual Event

How to boost intermodal Alpine transit

Zürich, 1.6.2018 Eight months after the Rastatt disruption, Hupac focusses again on the operating conditions of Europe's most important rail freight corridor. Progress has been made with the publication of a handbook on international contingency management. Organisational measures will be introduced over the next few months and years. The completion of the Swiss base tunnels and the 4-metre corridor will improve the performance and boost intermodal Alpine transit by the end of 2020. A flat rate for transalpine intermodal trains could cover the Swiss subsidy gap starting from 2024.

How do you win back trust in intermodal after Rastatt? **Hupac's president Hans-Jörg Bertschi** clearly stated at their Annual Event held in Zurich on 1.6.2018 alongside the company's General Assembly Meeting that "the 7-week Rastatt disruption in autumn 2017 has not only affected the operating results of the Hupac Group, but also led to a loss of trust into the reliability of rail freight." Bertschi appealed for quality enhancements by investments into the whole value chain of intermodal transport, as well as credible, corridor-wide back-up solutions and contingency plans. In addition, he called for effective coordination of infrastructure works.

Hupac's investments in this field comprise back-up wagons in a magnitude of 10% of its entire fleet, multisystem locomotives, capacity management tools and a new train tracking system with GPS geo-fencing technology. "We expect the positive trend of intermodal to continue and even grow with the new corridor set-up including Gotthard and Ceneri base tunnels, infrastructure upgrade to 4m profile and 740m train length, and additional terminal capacity", Bertschi said. "Hupac is expanding its services on the north-south axis and on the routes to the east and south-east and up to Russia and Asia. We invest in new terminals and are entering into maritime logistics with the acquisition of the Germany based ERS intermodal operator".

Hupac welcomes the political support for rail freight. In 2019, Germany will reduce the track access charges by up to 50% for a period of five years, allowing railway undertakings to invest and to improve competitiveness. Incentives are in place in Italy and under discussion in other countries. As to Switzerland, two thirds of the current government subsidies for intermodal transportation can be compensated by productivity gains with the base tunnels and the 4-metre corridor, but a subsidy gap is evident as from 2024. A viable solution would be to reduce the current very high track access prices for Swiss transit to the level of the corridor countries - a simple, non-discriminatory support measure that would send an immediate signal in favour of modal shift.

Rastatt learnings: first tangible results

Bertschi also reported on the status of the "Rastatt learnings" process initiated by DB Netz and Corridor Rhine-Alpine with the support of the EU Commission. The first results are a contingency management handbook of the European infrastructure managers and a recently signed ministerial declaration aimed at improving rail freight transportation on the rail freight corridors Rhine-Alpine and North Sea-Med.

According to **Frank Sennhenn, CEO of DB Netz**, who could not attend the event personally, the re-routing overview foreseen by the contingency management handbook will be completed and coordinated with the railway undertakings by the end of 2018. In the fields of operations, Corridor Rhine-Alpine is testing a cross-border traffic management tool "Park or Run" that supports information exchange and decision making between national traffic control centres. By 2020, traffic managers will be able to communicate in English with their colleagues in the neighbouring countries. The language issue of loco drivers and control centres is being actively tackled by a joint effort of EU, UIC and the European infrastructure managers: English as a second operational language and computer-aided communication are the options under discussion.

A crucial factor for smooth, reliable rail operations is an efficient coordination of infrastructure works. A new European regulation harmonises the processes and will be implemented step-by-step until 2020. As regards the mandatory performance regime, DB Netz is preparing a scheme with malus payments for delay minutes that is asymmetrical in favour of railway undertakings and incentivises DB Netz to reduce disruptions.

Infrastructure management from a single source for greater efficiency and punctuality

Keynote speaker **Joris d'Inca, Sector leader logistics at Oliver Wyman**, focused on the benefits of the Gotthard base tunnel. He talked about how rail freight transport can play to its strengths on long routes such as the North-South axis from the North Sea ports to the northern Italian economic centres. However, faster innovation cycles and the resulting increased productivity on the road will put heavy pressure on intermodal transport. To be competitive in the future, efficiency, punctuality and reduced transport times are critical. For the time being, the opening of the Gotthard Base Tunnel in December 2016 has not yet led to any substantial time and cost savings for these international transports.

"In order to achieve shorter lead times and better punctuality across routes, it is necessary to manage the infrastructure along the north-south axis end-to-end from a single source and to develop a marketable product. To achieve this, all infrastructure and terminal operators involved must pull together and install integrated corridor infrastructure management." D'Inca went on to say "The competitiveness of rail freight transport can only be achieved by infrastructure managers focusing more on the specific needs of the market, e.g. by fewer interruptions, short transitions and higher average speeds instead of an isolated optimisation of their own capacity utilisation and construction activity".

Alptransit with Ceneri 2020 – starting point for the new intermodal

By the end of 2020, the 15 km long Ceneri base tunnel and the 4-metres-corridor on the Gotthard route will go into operations, marking the arrival point of the Alptransit project of Switzerland. Together with the infrastructure upgrading in Germany and Italy, the production parameters for intermodal will improve significantly. As explained by **Nicolas Perrin, CEO of SBB Cargo**, a new era lies ahead for intermodal on the Corridor Rhine-Alpine, with gradual introduction starting from 2021:

- > Higher train weight up to 1800 t allows 13% more capacity.
- > Longer trains of 740 m add 23% capacity.
- > The 4-metre corridor via Gotthard extends the market by 50%.
- > The ETCS digitalization project enables a higher frequency of trains, leading to a 20% capacity increase.
- > Increased average speed of trains from 50 to 75 km/h will add another 50% of capacity.

In order to enable the much needed productivity gains, the coordination between infrastructure managers must be intensified. The challenge is to manage international traffic flows with a single perspective. RFI, SBB

Infrastructure and DB Netz have started this by preparing a first set of 24 daily paths for timetable 2019 with 25% reduced transportation time between Cologne and Milano. “A promising first step”, Perrin commented.

From this point of view, the Rastatt incident was a wake-up call for the whole sector. Perrin: “The need for better international cooperation and integrated processes is clearly perceived by infrastructure managers and transport ministries”.

Quality and supply chain visibility – main requirements of end customers

Panel speakers Roland Bosch, CEO of DB Cargo, Helmut Eder, Member of the Board at LKW WALTER, René Horsch, Ikea’s Global Business Development Manager, Category Land, Transport & Logistics Services and Nicolas Perrin, CEO of SBB Cargo gave insight into their intermodal strategies. Many European industries and companies have the strong will to decarbonise their goods flows, and intermodal is an important element in their decarbonising agenda. A high level of punctuality and reliability is however, a prerequisite. The whole value chain of intermodal transportation requires pro-active communication and estimated arrival forecasting in order to improve agility of response to perturbations. Digitalisation plays a crucial role in this field.

“Make rail as easy, fair and transparent as road!”

“If intermodal is to keep pace with road, we need to make it easy and efficient and allow it to compete”, said **Helmut Eder, member of the Board of LKW WALTER**. “Road transport is almost completely deregulated, while rail transportation still faces limitations, national regulations and different production parameters. The revision of Directive (EU) 92/106 on Combined Transport proposes to introduce additional burdens”. Today the road leg for pre- and on-carriage is limited to the nearest suitable terminal in order to qualify as Combined Transport. The proposal of the European Commission foresees instead to limit the road leg to 150 km between the place of origin or destination and the intermodal terminal, or to 20% of the total door-to-door distance. An extension is also possible under certain conditions, but requires authorisation by the single Member States. “Terminals may not be suitable, not offering the requested destinations, P400 profile gauge, or sufficient frequency”, said Eder, “these limitations are completely unknown to road”.

There is a restrictive approach also in data sharing. The logistic industry is aiming at full tracking & tracing transparency and forecast arrival information to shippers, moving towards direct communication between transport vehicle and production site. “LKW WALTER has its individual solution for road and rail”, said Eder, “in the railway sector, instead, many players are still reluctant to share their data, putting at risk the competitiveness of intermodal”.

Overcoming the European rail patchwork

According to **Roland Bosch, CEO of DB Cargo**, European incident management procedures have improved after the Rastatt disruption. However “the proof of the pudding is in the eating”, he commented. DB Cargo is actually implementing a new internal business contingency concept as a measure to improve service reliability.

The Rastatt incident has once more made clear that the “European rail patchwork” must become one single rail system, with easy and harmonised access, an enhanced corridor thinking and smooth contingency management. “We as railway undertakings have to focus on four crucial measures to improve the system for

our customers: become easier, think broader, be prepared and work together", Bosch said. To achieve this, rail infrastructure managers, railway undertakings, operators, customers, terminals, regulatory bodies and legislators have to cooperate and involve each other in the problem solving process.

Investments into the future

Hupac consistently invests in growing its business activities. In 2017, the company more than doubled investments in tangible assets with CHF 56 million. The wagon fleet was increased by approximately 450 wagon modules to 5,941 units. Eight multi-system locomotives were purchased and will be provided to the railway partners over the course of the current year. As to terminals projects and new terminal participations, Hupac is focussing on Milan, Piacenza, Brescia and Pordenone in Italy, Basel in Switzerland, Brwinów / Warsaw in Poland, Geleen in the Netherlands and Cologne in Germany.

Substantial resources are flowing into the digital transformation of the company. Hupac terminals will be equipped with OCR gates for recording train and loading unit data. The SPEAK capacity management tool will improve the predictability of logistic chains. Sensor technology will increase the safety standards for rolling stock and facilitate predictive maintenance.

A key competitive factor is an improved flow of information with timely, proactive communication in the event of delays. Hupac is pursuing various digitalisation projects with railway partners and transportation companies to develop transparent, high-quality flows of information from source to destination. "As an immediate concrete step, we will equip our trains with GPS and inform our customers precisely about the position of their loading units via an interface", announced **Hupac CEO Beni Kunz**. Big data will help to derive an estimated time of arrival. "The technology exists - we will use it and make the results available to the market by the end of 2018".

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