

Financial results press conference

Infrastructure instead of subsidies for modal shift

Zurich, 23.4.2012 Targeted infrastructure adjustments could make combined transport more efficient and save subsidies. For the NEAT south connections, Hupac proposes a two-stage model with near-term, moderate expansion of the Luino line.

Less than ideal combined transport conditions despite NEAT

"When the Gotthard and Ceneri base tunnels come into operation in 2017 and 2019 respectively, the combined transport trains on the North-South corridor via Switzerland will still have to run under uneconomical conditions," warned Hans-Jörg Bertschi, Chairman of the Board of Directors of Hupac Ltd, at the financial results media conference in Zurich. The crucial factor is productivity: combined transport is successful and profitable if long trains are allowed to run on long routes with low gradients and reasonable transit times, transporting the common high-volume loading units. The parameters were set out in 1991 in the "European Agreement on Important International Combined Transport Lines": a train length of 750 metres, a 4-metre profile and a maximum gradient of 12‰. But the southern access routes to the Gotthard base tunnel feature far lower parameters: averagely 575-metre train length, a 3.80-metre profile and a gradient of up to 21‰ on the route via Chiasso, which still requires the costly use of two locomotives. "Politicians must not be content with that if they are serious about pursuing the objective of modal shift," says Bertschi.

Raising productivity, lowering subsidies

Making rail freight transport more productive and marketable would be to everyone's benefit: the rail industry, logistics, modal shift and, last but not least, the state coffers. Competitive production conditions are the surest way to eliminate the subsidies in transalpine combined transport. In all the European countries with efficient freight transport corridors, combined transport runs without subsidies. "Expanding the infrastructure to a train length of 750 metres and a profile of 4 metres increases the productivity of every single train by 30%," explains Bertschi. "Politicians should have every interest in investing the scarce public funds in sustainable infrastructure instead of short-term subsidies."

Opportunity for sustainable freight mobility

"The flat railway via Gotthard is a huge opportunity for combined transport. We should not throw it away by delaying the expansion of the access routes," says Hupac's managing director, Bernhard Kunz. Once the Gotthard base tunnel is opened, Kunz says that a substantial reduction in operating contributions is to be expected. If the productivity of combined transport cannot be offset by longer, heavier trains by that time, there is likely to be a shift of heavy goods transport back onto the road. "This will restrict mobility on the roads, which are already overloaded today – an issue that affects us all."

Moderate expansion of the existing Luino line

The Gotthard base tunnel was built to create an efficient freight transport corridor for modal shift. The will of the people expressed at the time should still be respected today. This requires an adjustment of the access routes so that the potential of the flat railway can be exploited on the entire corridor. In the first phase, the priority on the south side of the Alps should be the Luino line, because this branch serves the existing terminals in the Busto Arsizio/Novara area, handling around 80% of combined transport via Gotthard. At the same time, the corridor via Chiasso must also be addressed. This requires the construction of a new freight

transport route between Seregno and Bergamo as well as transshipment terminals, because there is currently a shortage of capacity at the hub of Milan. Implementing this plan is likely to take a number of decades, so it is all the more essential to upgrade the existing freight railway line via Luino to bridge the gap. This relatively unknown route is an integral part of the Rotterdam-Genoa freight transport corridor. It could be adjusted to meet international standards with modest means. What is more, it makes possible a maximum corridor-wide gradient of 12‰. Italy also benefits from the connection to efficient rail infrastructure for the export of goods. In the long term, combined transport should be balanced across the three lines via Luino, Chiasso and Domodossola. "That is the most sustainable solution in economic, social and environmental terms," says Kunz.

Interoperability as a growth driver

Hupac also anticipates substantial productivity gains from a single European railway area as envisaged by the EU. There are currently more than 20 national signalling and speed monitoring systems in Europe, which are incompatible with each other. Technical inefficiencies of this kind are a major obstacle for the rail freight transport market. However, the intended solution involving the introduction of a European Rail Traffic Management System (ERTMS) is being delayed by many countries. As an active member of the European Rail Platform under EU Vice-President and Transport Commissioner Siim Kallas, Hupac proposes a corridor-based implementation plan. The Rotterdam-Genoa corridor with the flat railway via Gotthard and the equipment already planned for Switzerland could become the first fully interoperable corridor in Europe.

Traffic development 2011

In total, Hupac carried 723,894 road consignments on its European network in the year under review, thus exceeding the record volume of the year 2008. Whilst double-digit growth rates were achieved in the first six months, growth slowed in the second half of 2011 as a result of the economic downturn. In total, Hupac achieved an increase of 6.6%. The continuation of the subsidies by the Federal Office of Transport had a positive impact. The granting of additional funds reduced the price pressure of the road and prevented the danger of a shift back onto the road. The low availability of rolling stock continued to have a negative effect on traffic development in 2011. Intensive maintenance measures and a recall of wagons caused a shortage of rail platforms. As a result, capacity adjustments had to be made on some connections.

Satisfactory annual result

Despite the increase in volume, the Hupac Group's revenues from supplies and services decreased by 2.3% to CHF 493.1 million in the year under review as a result of exchange rate developments. At constant exchange rates the revenues increased by 7.3%. The Group's operating profit decreased by 17.3% to approximately CHF 2.6 million in the year under review. The difficult monetary situation and the extremely negative impact of the recall in the middle of the year led to this modest result. Investments amounted to CHF 59.3 million, with investments in tangible fixed assets of CHF 40 million in 2011. The investments were primarily related to the purchase of rail wagons, the completion of the Busto Arsizio-Gallarate terminal and the extension of the headquarters in Chiasso.

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Outlook for 2012

The economic downturn that began in autumn 2011 continues in the current year, causing a 7.2% reduction in traffic in the first quarter compared to a very strong period in the previous year. Nevertheless, Hupac was able to improve its services, focusing on the restructuring of the Scandinavia ⇌ Italy service in cooperation with Intercontainer Scandinavia and working with its partner SNCF connect the combined transport network in France. Since April 2012, Hupac has run a company train between Edirne in Turkey and Vienna. In April, a new shuttle train between Rothenburg near Luzern and Busto Arsizio-Gallarate went into operation.

However, economic instability is curbing the exchange of goods and reducing demand for transport services. "For 2012 we are preparing for low growth with a strong trend towards volatility. We are using the pause in growth to improve processes and work with our partners to prepare for the new production conditions after the opening of the Gotthard base tunnel," explains Hupac's managing director, Bernhard Kunz.

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