



Swiss success factor

Ah, the Swiss. Up there in the mountains, specialising in transport. Whether on ancient paths, mule tracks, mountain passes or Alpine tunnels – for centuries the markets north and south of the Alps have been connected by Swiss carriers. Some of the oldest logistics enterprises have their roots in Switzerland: Danzas, Panalpina, Hangartner, Dreier – and for good measure Gottfried Schenker, founder of Schenker AG, was a native Swiss from Däniken, near Olten. What are the success factors of a business that even today is among the major employers in Switzerland? Switzerland has long provided an efficient infrastructure for transit traffic. Yesterday it was the Devil's Bridge at St. Gotthard Pass, tomorrow there will be the NEAT railway tunnels. Swiss transport enterprises are innovative and ready to try out unconventional ways. Last but not least, Swiss carriers have a particular allergy against monopolies and state interferences, focussing instead on competition, neutrality and service excellence.

Indeed, Hupac is proud to follow the traditions of Swiss transport.

We hope you will enjoy reading this new edition of Moving.

Irmtraut Tonndorf
Communications Manager

Forwards on the North-South Magistrale

As the major combi operator in Alpine transit, Hupac participated in the Swiss-Italian business conference "The Meeting" on 26-27 October 2006 in Genoa. Hupac Director Bernhard Kunz reviewed developments in container traffic in Europe and the opportunities in the Rotterdam-Genoa corridor.



Bernhard Kunz
Director of
Hupac Group

On 26-27 October, the Italian seaport of Genoa hosted "The Meeting", a business conference at ministerial level, at which Switzerland and Italy aimed at expanding their economic links. Particular attention was paid to the transport sector. The opening of the new rail transversal at Lötschberg next year will bring Genoa and its

harbour closer to Switzerland and Northern Europe.

Reminder of the NEAT connection

The increasing trade flows need the proper infrastructure, argued the Swiss Minister of Trade and Commerce, Doris Leuthard. With NEAT, Switzerland was making a significant contribution to a new European transverse rail route between the North Sea and the Mediterranean. She called on Italy to sort out connections to the south of the new stretches via Lötschberg/Simplon and Gotthard. Emma Bonino, Minister for European Affairs, explained Italy's tardiness, saying that the country had now woken up after a "long siesta". Currently several infrastructure projects worth billions were underway. Following the high speed stretches in the Po valley, North-South connections would now be expanded.

Hinterland traffic – added value for customers

Hupac Director Bernhard Kunz stressed the demands of international transport enterprises. Container traffic was expanding faster than Continental traffic. Harbours in Benelux and Germany were showing large volume increases. On the other hand, Genoa harbour was lagging behind. One of the reasons was the less than optimal hinterland traffic network. Anyone with a good offering for the distribution of containers in the hinterland would produce added value for the shipping companies, the haulage and logistics companies.



The Antwerp and Rotterdam harbours are connected by daily Hupac trains with the large business areas in Central Europe and North Italy. In 2005, Hupac transported 158,000 shipments from/to Rotterdam, 98,000 shipments from/to Antwerp, 13,000 shipments from/to Hamburg, but only 1,000 from/to Genoa with transalpine destinations.

Is the Genoa harbour missing out on the connection?

"It is high time that Genoa positions itself better for traffic north of the Alps", emphasised Mr Kunz. "The competition is growing. Even now, several players are considering the harbour at Constanza in Rumania as an alternative to the northern harbours."

In 2002, Hupac connected Genoa harbour to the Busto Arsizio-Gallarate hub. It is the largest inland terminal in Europe, with more than 40 trains daily to Central, Western and Eastern Europe. From an initial five trains a week from Genoa, Hupac has reduced the frequency to two trains a week for lack of volume. This is in contrast to Northern Europe, where volume increases of more than 30% have been seen on the West-East corridor. "The harbours in the North are urging

the expansion of the hinterland rail connections, in order to reduce the load on roads in the harbour areas."

The Rotterdam-Genoa corridor provides a great opportunity for European goods traffic. Hupac has invested heavily in order to provide

better international connections to Genoa. The goal of good utilisation or greater train frequency could however not yet be attained. If interest is shown by the Liguria Region, by the harbour and the terminal operator, Hupac would be ready to invest further.

Hupac calls for continuity

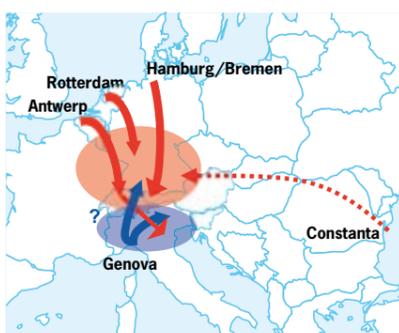
Within the framework of the new Swiss Act for modal shift in freight transport, Hupac has called for the continued consistent implementation of the current well-established shift policy in accordance with variant 1. Hupac is clearly in favour of a continued focus on unaccompanied combined transport even after the end of the initially intended period for financial encouragement up to 2010.

In view of the successes of the measures to shift the transalpine transport through Switzerland from the roads to the railways – a 14 percent reduction in heavy goods vehicles crossing the Alps through Switzerland since the year 2000 and a concurrent 50 percent increase in the use of combined transport – a reduction of the subsidies would jeopardize the results to date and stand in the way of the long-term development favoured by

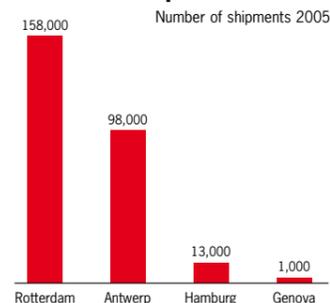
the Swiss people. "Europe's freight transport business is currently in the process of adjusting to combined transport," points out Hupac Director Bernhard Kunz and goes on to add that, "halving the subsidies as it is recommended in variant 2 of the report, would be sending the entirely wrong message. In order for rail transport to be able to compete with road transport until the flat rail route through the Gotthard Tunnel is put into operation in approximately ten years, the railways will continue to require the same level of current subsidies. This is the only way that we will be able to succeed in achieving the ambitious shift target that we have laid down in the constitution." Hupac is sceptical of the Alpine transit exchange that is a part of all three variants. This measure requires the renegotiation of the overland transport agreement with the EU. Hupac

considers the pushing forward of the railway liberalisation as well as the reform on train path rates and the promotion of European interoperability, to be far more important than the introduction of the recommended Alpine transit exchange. Flanking measures such as the timely provision of the feeder routes from the north and south to the Gotthard Base Tunnel, the funding of terminals in busy regions abroad and the intensification of controls for heavy transports are of essential significance. Hupac rejects the substantial expansion of the Rolling Highway through Switzerland, as envisaged under the variant 3 of the act: "The Rolling Highway is and shall remain a supplementary offer," emphasizes Bernhard Kunz. "The limited track capacities would be used for a system which, in comparison to unaccompanied combined transport, requires subsidies that are three times as high and is four times as expensive to maintain when it comes to the rolling stock. Furthermore, the environmental benefit of the shift hardly makes sense with regard to the short distances between the Swiss borders."

Hupac's detailed policy statement on the Swiss freight transport Act 2011-2017 can be found on the Internet under: www.hupac.ch/Index_freight_transport_act.htm



Ports in the Hupac Shuttle Net



New Swiss freight transport Act 2011-2017

3 variants



Status quo: maintenance of the modal shift aim of 650.000 truck trips per year



Halving the subsidies: increase of the transit trips to 1 million truck trips per year



Focus on the traffic technique "Rolling Highway"



Customers take the floor

The annual Hupac Customer Conventions took place in October and November. The focus was on trends in intermodal traffic, and also the direct dialogue between customers and their contacts at Hupac.

The Hupac Customer Conventions take place annually in the autumn at the main Shuttle Net network locations. This year the venues have included Rotterdam, Antwerp, Copenhagen, Cologne, Constance and Busto Arsizio. Some 250 representatives from customer companies were briefed by Hupac managers about new developments in the market. A particular focus this year was the opportunities and risks for intermodal traffic in an increasingly liberalised world, and

the extension of the Shuttle network on both the North-South axis and the East-West axis.

Several customers pointed out optimisation possibilities. A key concern was the punctuality of trains, and information in the event of any traffic irregularities. "Less is more", admitted Alessandro Valenti, Business Manager Shuttle Net. "We must make sure that our customers obtain clear and useful information in the event of traffic interruptions."

There is also room for efficiency improvements at the terminals. This demands joint commitment by customers and the intermodal traffic operator.

Customer response was positive, and this was particularly apparent in personal conversations and at the social gatherings following the information sessions. "We will continue and extend the tradition of customer conferences", promised Mr Valenti.

Questions & Answers

Mr Howald, train punctuality is not yet what it ought to be. Why not?

That's true, even if quality has improved steadily in recent years, above all since the introduction of responsibility for international end-to-end traction. But in recent months there have been a number of bottlenecks. There is currently enormous and unforeseen growth in intermodal traffic. Many terminals are working at their performance limits. Locomotives and drivers are in short supply. There are also bottlenecks in railway wagons. Hupac has always invested in its own wagons, and this has paid off. It makes us independent, and enables us to react flexibly to periodic peaks, as at present.



Peter Howald
Director
Intermodal Services
Hupac Group

growth in traffic is affecting the quality statistics. But we know that economy depends on goods transport, and we feel an obligation to handle all the transport demanded. Road traffic and inland navigation are also at the limits of their capacity. With a wider range of offerings, increased frequency and special trains, we are working hard to ensure that our customers can reliably service the growing economy.

Where can you see further scope for action?

Quality improvements are a continuous process at all levels. What is needed is ideas, initiatives, as well as the necessary investment framework for resources. There is certainly still scope for action on the railways. But also Hupac are committed to the punctuality and reliability of our services. An example: our rail operation company in Busto Arsizio carries out the transfer of trains from the terminal sidings into the main line with its own organization. Any defective railway wagons are taken out of service some hours before the transfer to the traction company. In that way we have practically eliminated one source of delays. In addition, our railway company can take action in various stretches in northern Italy if the contracted traction company is unable to deliver. An emergency solution that has already helped to maintain quality.

How does Hupac react to traffic irregularities?

Rapid and precise information in the event of irregularities is a key performance promise of intermodal traffic. Thanks to our new satellite-supported train sorting system called e-train, we are now in a situation where our traffic can be monitored anywhere in Europe. We can at all times tell our customers what is going on, and we can intervene effectively in order to resolve problems and speed up procedures. For this purpose, an action team was set up and suitably equipped.

Is it quantity at the expense of quality?

There is no doubt that the fast

News

Extensive network for the North



In autumn 2006, Hupac substantially increased the traffic between Italy and Scandinavia/the Baltic States. With 10 departures weekly between Busto and Taulov, as well as six departures weekly between Taulov and Malmö via fixed crossings, Hupac's Scandinavian traffic is offering still greater performance. From Malmö, the Swedish and Norwegian networks can be used, and from Busto the Italian network is available. The connection between Novara and Lübeck that was introduced in September was expanded in October to three train round trips a week. On this stretch via Lötschberg, trucks with up to 4 meters corner height are permitted. From Lübeck there are ferry connections to Finland, Russia, Latvia, Estonia and Sweden. "The Novara ⇌ Lübeck Shuttle meets a genuine market need", says Line Manager Claus Lyng. "Demand is very strong. We are already planning additional departures."



Excellence: Hupac awarded logistics prize

During the SITL Logistics trade fair in Verona (26-27 October) there took place the second prizegiving of the "Logistics Company of the Year" award. The prize is awarded to logistics companies in various categories that have particularly distinguished themselves during the year. The event was organised by Assologica, the trade journal Euromerci and SITL Italy.

Hupac were honoured with a special prize for their consistent development of intermodal traffic. "Hupac is in the forefront of intermodal traffic in Italy," declared jury member Ornella Giola. "We particularly wanted to highlight the initiative and innovative power of the Swiss operator."

From harbour to harbour

In September 2006 the new Rotterdam ⇌ Hamburg connections went live. With three departures per week, this connection, initiated by Geest, is open to any transport company.

To Austria and Hungary

In July 2006 Hupac started a new shuttle train between the terminals of Rotterdam, Duisburg, Vienna and Budapest. Customers are offered four weekly departures in each direction. From the middle of November, Hupac will also be connecting the Austrian terminals of Enns and Krems.



Antwerp ⇌ Padua direttissimo

From September 2006 Hupac has connected Antwerp and Padua without any intermediate stops. The Antwerp ⇌ Padua shuttle train runs three times a week directly via the Brenner. With a running time of 35 hours, the train is fully competitive with road transport.



Certified: Quality and the environment

In September 2006, Hupac successfully passed the intermediate audit of its quality and environment management in accordance with ISO 9001 and 14001. The auditor of the Veritas Bureau confirmed that the system is successfully being applied as a tool for efficient and effective business management. The re-certification of the entire system will take place during autumn 2007.





Background

Hupac and railway liberalisation

Hupac was an early advocate of fair competition and actively supports liberalisation of the railway market. The Company acquired railway licences for Germany in 1999 and, two years later, for Italy. In 2000 locomotives for niche market transports were acquired. In 2002 Hupac helped to establish the Belgian railway undertaking Dillen & Le Jeune Cargo. 2003 saw Hupac entrusting Rail4Chem with its first links; the private railway undertaking was proving itself to be cost-efficient and able to compete and was in a position to control train movements from source to destination. In 2004 Hupac put into service the first international train to make the cross-border Duisburg to Novara trip solely under the auspices of SBB Cargo. Since 2004, Hupac has been searching out the best providers, has invited tenders and has awarded orders "from source to destination" generally for two years. For each traffic relationship, the most favourable partner is selected, based on costs and overall quality. Five partners secured a place in transalpine traffic – SBB Cargo, Railion (DB Group), Trenitalia Cargo, Ferrovie Nord Cargo and Rail4Chem.

Hupac is member of ERFCP and of ERFA.

A free market for free railways?

Five years after publication of the EU White paper on Transport and two years after implementation of the first railway package, competition in many countries is still in its infancy. Klaus R. Meyer, General Secretary of the European Rail Freight Customers' Platform, outlines the situation.



Klaus Meyer
General Secretary
of ERFCP

Klaus Meyer, General Secretary of ERFCP, the European Rail Freight Customers' Platform with headquarters in Brussels, knows what is going on in liberalisation. "Several states complicate market access for new railway undertakings, even after agreement to the policy of opening up of the market. Sometimes there are no

authorities to issue security certificates or approve locomotives for rail traffic, sometimes the authorities are slow in being formed and insufficiently empowered. At other times these authorities work deliberately slowly and set up barriers in the form of high charges and extravagant, inappropriate demands; moreover these authorities are kept separate from the expertise and experts in the incumbent railways, who are competitors of the new railways. In some member states the authorities delay or limit the apportionment of railway licences and safety certificates for locomotives with the transparent aim of making entry to the market difficult for newcomers. Finally, some states try to use infrastructure or power prices to discriminate against new railway undertakings, the agency of this exertion of power being the incumbent railway operator as an integrated enterprise or a state-subordinate infrastructure operator."

The European Rail Freight Customers Platform represents the European industry as a cargo customer of the railways. The Association is campaigning for a high-performance European railways system, and believes that this objective can best be reached by ensuring that intermodal competition prevails in the railway sector as in all other areas of business. The ERFCP is against open and concealed discrimination, and is equally against the efforts by the railways to restore their monopolies. "State subsidies can be granted to state railways in a number of different ways: provision for deficit, restructuring without cost for the enterprise, credit guaran-

tees." Incumbent railways are thus empowered to put new railways at a disadvantage and secure their own market-dominant positions. "For the incumbent operator, price dumping means competitors can be repressed", states Klaus Meyer. "One has the ability to invest in better production facilities, and within a state-backed credit framework one can acquire other railways. The danger thus arises that a national monopoly could become a European one. Another possibility, again state-supported, is vertical concentration by acquisition of combined transport companies, thus depriving new players of the basis for a business."

In many EU states the separation of infrastructure manager and transport operator has not been effective, or only partially so. There is a strong potential for infrastructure managers to discriminate railway operators and thereby hinder the innovative force of free competition. True, the majority of EU States permit access to long-distance rail routes in a relatively non-discriminatory way. Yet there are still examples of a noticeable lack of willingness on the part of the infrastructure operator to ensure optimal use of the system with which he has been entrusted. This is a sign of a tendency to manage the infrastructure in a way which satisfies the interests of the holding company operator. Short-term profits of the infrastructure situation can thus be mined to the advantage of the holding company, whilst the public brief of advancing a long-term, economically meaningful infrastructure policy is neglected.



The so called area of 'additional services' provides still better pointers to the marketing aims of the infrastructure operator and whether these are geared towards optimum efficiency, or the interests of the operator. EU Directive 2001/14 makes a distinction between the services that should be offered and those which may be offered. An example of an additional service is the provision of a banking locomotive for gradients as an alternative to coupling of several engines on the entire track. "If the infrastructure operator's objective is to enable as many as possible of the smaller operators' trains, who do not dispose of banking locomotives, to use these stretches he will offer these banking services to each and every undertaking. If this is not the case, he will maintain a position of lack of locomotives. Directive 2001/14 explicitly mentions provision of assistance for special trains as an optional service. A heavy goods train on an ascending stretch comes under 'special'", explains Klaus Meyer.

A further consideration is power. In Germany new railways have initiated legal proceedings so as to receive the same supply prices as the holding company operator. If a particular judgement against the private rail company Rail4Chem becomes legally binding, then DB Energie, a subsidiary of DB, will be able to discriminate without any restraints in providing electric power to third-party railways. "The legislator must put a stop to any potential for discrimination right from the start", says Mr Meyer.

"Anyone who has the potential is likely to use it sometime". Discrimination is to be found in other countries too, with the result that doubts arise as to the willingness to transfer as much traffic as possible to the railways.

Access to freight marshalling yards must likewise be granted. A small railway undertaking cannot perform its own freight marshalling for economic reasons. Shunting is seen as a facultative service on the part of the infrastructure operator, but only facultative. "If the operator envisages marketing for optimum utilisation and not protection of his own holding company, he will take charge of freight marshalling and adopt a neutral policy to all railway undertakings rather than allowing his holding company to control this activity", says railway expert Meyer. "Swiss infrastructure operators do this in freight marshalling yards, inclusive of train composition. Austrian operators are trying to adopt this model."

It is necessary to mention as a final point a number of technical considerations that are implicated in limiting competition and killing productivity. Planned standardisation of procedures and European railway technologies are making very slow progress. The Rotterdam-Genoa corridor demands a very varied set of technologies for its safety systems. Similarly, the Basle-Lötschberg-Domodossola-Novara route has need of three different safety installations, each covering short distances. The new train safety systems ECTS Lötschberg and SCMT Italy are not even compatible with each other. The locomotive area is one which therefore needs a high degree of investment. Traction costs mount considerably because of this, making it still harder for new railway undertakings to join the market.

Naturally, railway customers would like to see more competition between enterprises. Intramodal competition amongst railway undertakings is the best way to achieve higher productivity and better quality in rail traffic and at the same time improve the railway's competitive edge in relation to other transport providers. The EU commission

and individual states must bring about the political will to implement goal-oriented railway reform. The most urgent tasks include:

- ← Detailed examinations to ascertain whether the main functions of the infrastructure manager in member states are being carried out independently of incumbent railway operators.
- ← Monitoring of the independent status of regulatory bodies in all member states. Not all member states have the very useful benefit of a Rail Regulator and in some cases this office is not working properly.
- ← Motivation of member states and infrastructure operators to provide additional services in such a way that as many railway undertakings as possible can use the infrastructure.
- ← Harmonisation of safety certification and locomotive certification.

ERFCP no longer stands alone in its commitment to an effective opening of the market. In mid-November, four organisations got together to form an alliance – ERFA (European Rail Freight Association), ERFCP (European Rail Freight Customers' Platform), F&L (European Freight and Logistics Leaders Forum) and UIP (International Union of Private Wagons). "The private-sector groups are organising themselves", concludes Klaus Meyer. "With our combined strength, we want to make our voice heard among European institutions and governments."

www.erfc.org
www.erfa.be
www.europeanfreight.org
www.uiprail.org

Goods traffic in Eastern Europe – growth opportunities for railways?

Hupac took part in the “Railways and Logistics Forum” in Kraków on 14–17 November. The conference, organised by the Polish railway company PKP, brings together railways and partners in the logistics chain on the East-West axis for an annual exchange of experience. Alberto Grisone, Business Manager Project Development & Strategy at Hupac Intermodal, spoke about the great potential for railways in Eastern Europe.



The EU enlargement provides new opportunities everywhere in Europe. Further economic growth is expected in the next few years. Growing markets are tightly coupled to goods traffic. Business needs goods traffic to grow, and that in turn generates new goods traffic.

Since the opening of these markets in the 1990s, the modal split in goods traffic in Poland, and also in Hungary and other East European countries, has moved from railway dominance to road dominance. The railway share has declined, and the road share has

grown. Among the reasons for this are the advantages that road has, such as speed and flexibility, but also the shift in production away from bulk goods towards high-value piece goods.

The forecast growth in traffic imposes immense demands on the infrastructure. In recent years, investment in road traffic has been the priority. The previously good rail infrastructure has been neglected, and these days shows considerable quantitative and qualitative gaps. Russia is an exception. Because of the immense transport distances there, the focus of traf-

fic infrastructure has always been on railways. But despite growing motorization, railway goods traffic is also growing.

For decades, intermodal traffic has been regarded as an effective alternative, combining the advantages of road and rail. Annual growth rates of 10 to 20%, and on some axes of more than 30%, demonstrate this clearly. In the 1990s Hupac introduced the shuttle system, which enormously increased the productivity of intermodal traffic compared to traditional single wagon traffic. In this production system, a fixed wagon combination shuttles between two terminals, without any shunting. Semi-trailers, containers and swap bodies are transported between the main economic areas by daily train departures. The local distribution from the terminal to the final destination is done by road. This shuttle idea has spread across Europe and enables rail to keep its place in competition with road.

An enormous potential for rationalisation is represented by the idea of international integrated traction introduced by Hupac in 2004. Only one railway company is responsible for each train from

origin to destination. Integrated traction simplifies processes, reduces interfaces, improves overall performance, and increases the quality and productivity of intermodal traffic.

What are the opportunities for railway goods traffic in Eastern Europe? Thanks to the international division of labour, and the new geopolitical framework, new goods streams will arise. For countries like Poland and Hungary, the transit traffic on both the East-West axis and the North-South axis presents enormous potential. However, a precondition is that the traffic infrastructure is available not just for internal and import/export traffic, but also for transit traffic – for example for traffic from Russia to Germany, or from the harbours in the West or the Baltic to Austria and Italy. Other success factors for the growth of intermodal traffic are sufficient terminal infrastructure, simplified administrative processes (customs, railway consignment notes, railway documentation) and the dismantling of time and resource consuming interfaces in railway production.

Hupac is currently running three trains a week between Antwerp and the Polish destinations of Kobylnica, Warsaw and Slawkow, and also has a representative office in Warsaw. The Swiss combi operator wants to continue to grow in Eastern Europe. The overall objective is to offer customers reliable transport services, and to serve the growing economies in Eastern Europe efficiently.



Hupac opens a representative office in Warsaw

The countries of Central and Eastern Europe are becoming increasingly important in international freight traffic. In 2005 the Swiss combi operator Hupac set up the first connections for combined traffic between Antwerp and Poland. In September 2006 Hupac opened a representative office in Warsaw.

“We run three trains a week between Antwerp and the Polish destinations of Kobylnica, Warsaw and Slawkow”, explains Peter Howald, Director for Intermodal Services in the Hupac Group. “The utilisation rate is good, and the demand, particularly from west to east, is growing steadily. The opening of an office in Warsaw is a logical step in the expansion of our network.” The manager of the Warsaw office is the railways expert Beata Mizeracka. “Thanks to our new representation in Poland, we are closer to our customers and can guarantee a better service”, says Peter



Beata Mizeracka
Head of Representative Office in Warsaw

Howald. “This local coordination will speed up procedures and build up trust.” An important plus is the language, because now Polish partners and transport companies will be able to communicate with Hupac in their own language.

Thanks to the Warsaw location, Howald also foresees new opportunities for further growth in Eastern Europe.

“Together with our rail partners, we will develop intelligent traffic solutions for the rapidly growing goods traffic.”

Address and contact details for the Hupac representative office in Warsaw:

► Hupac Intermodal SA
Representative Office Poland
Przedstawicielstwo w Polsce
Al. Jerozolimskie 125/127
PL-02-017 Warszawa
Tel. + 48 22 891 00 33
Fax + 48 22 891 02 11
e-mail: bmizeracka@hupac.ch



dialogue Send this coupon to fax +41 91 6952801

Please send me the following issues of Moving.

Name _____

Company _____

Address _____

Post code/Town _____

Tel. _____ Fax _____

E-mail _____

Please send me Moving in Italian German English

moving

impressum

Hupac Ltd
Viale R. Manzoni 6
CH-6830 Chiasso
Tel. +41 91 6952800
Fax +41 91 6952801
E-mail: info@hupac.ch

Editor: Irmtraut Tonndorf
Photos: Maurizio Tolini, Nil Bechtiger, Konrad Bronowski
Layout: Sestosenso srl

HUPAC

solutions for intermodal logistics