

Financial media conference of the Hupac Group

Successful modal shift requires focus on the entire corridor

Chiasso, 18.5.2021 The further shift of freight traffic from road to rail requires Switzerland to focus on the entire north-south corridor. Alptransit will only be able to meet future modal shift expectations if the access routes are expanded consistently and promptly.

In the Corona year 2020, Hupac again achieved a traffic volume of one million road consignments. Maintaining the network despite the pandemic-related drop in volume led to a negative business result of CHF 2.5 million on sales of CHF 597 million. For the current year, Hupac expects traffic growth in the single-digit percentage range and a positive business result.

Hupac maintains transport volume despite pandemic

Last year, the Hupac Group transported 1,014,686 road consignments or 1,913,000 TEU by rail. This corresponds to a slight decrease of 0.9% compared to the previous year. The main influencing factors were the slump in maritime traffic from overseas and the economic blockade in Europe as a direct result of the COVID-19 pandemic in the first half of the year. Traffic demand recovered in the second semester and reached the previous year's level by the end of the year.

The consequences of the Corona crisis were particularly evident in transalpine traffic through Switzerland. Demand fell noticeably in the period from April to June; nevertheless, Hupac maintained its network and thus made an important contribution to securing the logistics of vital goods. "In spring 2020, intermodal supply chains became an anchor of stability for logistics," explains Michail Stahlhut, CEO of the Hupac Group. "We responded to traffic declines on a weekly basis of -40% with network stability." In the second half of the year, volumes returned to the previous year's level. However, with a total transalpine volume of 538,104 road consignments (-2.3%), the gap of the crisis months could not be fully compensated.

Non-transalpine traffic closed the year 2020 with a small growth of 0.5% to 434,033 road consignments. While traffic to eastern and south-eastern Europe developed positively, other segments such as maritime hinterland traffic from North Sea ports were more strongly characterised by Covid effects.

Network preservation before capacity utilisation optimisation

The 2020 financial year was also strongly affected financially by the pandemic. At CHF 597 million, the Hupac Group's annual revenue was 2.3% below the previous year. The significant traffic declines and losses of the second quarter could not be offset in the course of the year, although the volume curve showed a continuous upward trend from the third quarter until the end of the year. However, the load factor had fallen so sharply in the spring that the negative financial results of this period led to the first negative Group result in the company's history on a full-year basis. Taking into account the difficult circumstances and fluctuations, the annual result of CHF -2.5 million was nevertheless better than originally expected.

Combined transport as an answer to the climate challenge

Hupac expects further significant growth in combined transport in the coming years. For in addition to Switzerland's active modal shift policy, the European Green Deal now also sets ambitious targets. By 2050,

greenhouse gas emissions in the transport sector are to be reduced by 90%, and rail freight transport is to double. Combined transport with its intelligent linking of different modes of transport will play a central role in low-emission, socially sustainable freight transport in the future.

Already today, Hupac Intermodal's network saves 1.2 million tonnes of CO₂ per year compared to pure road transport. The strategy that Hupac adopts to further improving its environmental footprint includes low-emission terminal equipment, energy-efficient buildings and digital tools for process optimisation along the value chain. Initial tests with battery-electric powered mobile cranes are in the pipeline. Further opportunities for climate-neutral terminal operation open up with green hydrogen from renewable energy sources such as wind, water or sun. "Combined transport will be able to realise the first emission-free transport chains before 2030, and net zero will be our goal by 2050," explains Hans-Jörg Bertschi, Chairman of the Board of Directors of the Hupac Group.

Keeping the Alptransit promise – mastering the reduction of subsidies

Alptransit was built for the transport of long, heavy and high freight trains. The decisive parameters are a train length of 740 metres, a weight of at least 2000 tonnes with traction by one locomotive and a train height of 4 metres. While the infrastructure development in Switzerland including the 4-metre corridor to Italy is mostly completed, there are still considerable gaps on the entire route of the Rhine-Alpine corridor. This has a direct impact on the marketability of combined transport and consequently also on modal shift, as the planned reduction in Swiss subsidies must be compensated for by increased productivity.

The coming year will already be the touchstone for the Alptransit concept. "As a milestone, our benchmark for 2022 is a standardised train length of 690 metres via Luino and 625 metres via Chiasso," says Michail Stahlhut. "Only with the longest and heaviest trains we will be able to absorb the upcoming marked reduction in funding. Here, the timetable designers of the network operators are challenged to get the maximum out of the infrastructures in today's expansion step: every metre counts."

Change of perspective required – focus on the entire north-south corridor

The chances of shifting more traffic to even more environmentally friendly combined transport have never been better. But sufficient capacities must be created on the entire north-south corridor for the expected traffic volumes, says Hans-Jörg Bertschi. "This requires corridor-wide thinking and action, initiated in particular by Switzerland, so that NEAT meets expectations and can implement further shifts from road to rail in the second half of this decade."

There is an urgent need to increase capacity in the Rhine valley south of Mannheim. Hupac supports the concept of a continuous double track and electrification of the Wörth-Lauterbourg-Strasbourg line well before 2030, this as a left Rhine capacity increase and bypass to the Mannheim-Basel line via Rastatt. The four-track expansion on the right bank of the Rhine will not be completed until after 2040 – that is too late for the modal shift. Equally important is the prompt improvement of the power supply on the Bellinzona-Luino-Gallarate and Domodossola-Novara/Gallarate lines so that all trains can run at 2000 tonnes in future.

There is also an urgent need for action to increase train lengths. Both Germany and the Netherlands have yet to upgrade their railway infrastructures to standard train lengths of 740 metres. This is a win-win situation both for the combined transport operators as well as for the network operators: with more payload per train and less train path required in the network, the scarce resources are used optimally. In the medium term, capacity must be further increased in order to cope with the rising demand on the north-south corridor. The upgrade of the Zeebrugge/Antwerp-Metz-Strasbourg-Basel axis to the standard parameters of the Rhine-Alpine corridor should provide an efficient alternative for volumes from/to Belgium as of 2030.

Accelerating modal shift – further measures

The current regulatory framework conditions are the basis for Switzerland's modal shift success. They have enabled a 70% rail market share in Alpine transit and made the country a pioneer of modal shift policy in Europe. In order to continue shifting market shares from road to rail in the future, it is necessary to update and supplement the measures. From Hupac's point of view, important starting points are in particular:

- Reduction of train path prices to the level of the other countries of the Rhine-Alpine corridor as a measure of climate policy
- Maintaining a reduced LSVA also for emission-free trucks, so that other external costs such as noise, congestion, accident risk, etc. are correctly reflected
- Incentives for the medium-term conversion of the semi-trailer fleets of long-distance transalpine road transport through Switzerland to exclusively crane-capable equipment: every semi-trailer should be technically capable of using the combined transport option created by the NEAT investment in the 4-metre corridor to Italy. An initiative of this kind would trigger a push for innovation on the part of manufacturers to overcome existing inefficiencies in the weight and production costs of trailers. Other countries such as Germany also support the conversion of fleets to craneable semi-trailers.

In the international context, the various stakeholders need to overcome national thinking even more consistently and adopt a corridor perspective focusing on freight transport requirements. The following measures would greatly improve the performance of rail freight transport and thus increase the chances of modal shift:

- Securing freight transport capacities through international network utilisation planning at corridor level
- Integrated operational management on the entire corridor, including planning of construction works in international coordination
- Priority for freight traffic over long distances in the event of operational disruptions and breakdowns.

Outlook 2021: Network expansion and investment boost

In the first four months of the year, the Hupac Group recorded a pleasing traffic growth of around 10%. This is due to the Corona effects of the previous year, but also to the strong demand for intermodal transport services. The focus of the development of services is on trailer transport in Swiss Alpine transit, which for the first time will have a real alternative by rail thanks to the 4-metre corridor opened at the end of 2020. For this market segment, Hupac operates a network with 150 roundtrips per week on routes to northern Italy and a further 10 roundtrips on gateway routes to southern Italy.

Other focal points of the ongoing network development are Pordenone in north-east Italy, Singen with new connections to Munich, and Zeebrugge as a hub for traffic to the UK, Italy, Spain and Poland. The Benelux-southeast Europe axis with numerous destinations in Austria, Hungary, Romania and Turkey is showing pleasing growth, which Hupac is supporting with frequency increases. In maritime hinterland transport, the consequences of the Suez Canal blockade continue to be felt. Nevertheless, the subsidiary ERS Railways is able to increase departures on single south German routes.

By the end of the year, Hupac expects a single-digit percentage growth in traffic and a positive business result. After the pandemic-related decline in 2020, there will be a surge in investments this year. In March, construction started at the Brwinów terminal near Warsaw. The Piacenza and Milano Smistamento terminals will follow in the summer; commissioning is planned for 2023.

Profile of the Hupac Group

Hupac is the leading network operator in intermodal transport in Europe. The offer includes 150 trains daily with connections between the major European economic areas and as far as Russia and China. Hupac Ltd was founded in 1967 in Chiasso/Switzerland. The Group consists of 23 companies with locations in Switzerland, Italy, Germany, the Netherlands, Belgium, Poland, Russia and China. Hupac employs 560 collaborators, has over 7,700 wagon modules and operates efficient terminals at important European locations.

Contact

Irmtraut Tonndorf Director Communications & Marketing

Tel. +41 58 8558020 | Mob. +41 79 2934645 | itonndorf@hupac.com