

Media conference for the annual results of the Hupac Group

Record volumes on the 50th anniversary – successful modal shift

Zurich, 1.6.2017 The Swiss intermodal operator Hupac presents a very good operating result during the 50th year of its existence. With a record volume of 737,000 transported road consignments, the company has contributed significantly to the shift of heavy freight traffic from road to rail. “For the first time in 20 years, less than 1 million trucks crossed the Swiss Alps in 2016, thanks to Hupac”, comments the chairman of the Board of Directors Hans-Jörg Bertschi.

Strong growth, pleasing result

In 2016, Hupac transported a record number of 737,000 road consignments, which represents growth of 11.5%. Around 110 trains were in use each day for the transportation of road consignments throughout Europe and to Russia and the Far East.

In the core market of transalpine consignments through Switzerland, Hupac achieved growth in traffic of 19.4%. This was achieved in equal measure by the Shuttle Net division, in particular the four-metre trailer market segment via Lötschberg, and by the Company Shuttle division, which operates block trains for major clients. Thanks to its strong growth in Alpine transit via Switzerland, Hupac has made a significant contribution to the fact that 2016 was the first year in the last 20 that less than 1 million trucks crossed the Swiss Alps. This success is particularly pleasing to Hupac in its 50th jubilee year.

The growth strategy adopted in 2015 has also brought economic success. Compared with the previous year, which was marked by the CHF/EUR currency shock, the annual profit for the Hupac Group developed favourably and achieved a value of CHF 10.8 million. The revenue from supplies and services rose by 10.0% and the production costs by 10.1%. A cash flow of CHF 53.4 million (+29.3%) meant that investments in an amount of CHF 29.7 million could be self-financed.

The number of full-time employees at the end of the year increased by 6.2% to 429. A higher-than-average number of mostly highly-qualified jobs was created in the parent company in Chiasso. Bertschi: “Hupac is in a healthy condition and is rigorously investing in the future.”

Gotthard base tunnel – positive start, delayed international integration

The operation of trains through the Gotthard base tunnel, which started in December 2016, is proceeding smoothly. The heavy freight trains need one locomotive less on the flat track via Luino. This important productivity gain will only be possible on the route via Chiasso from 2020, when the Ceneri base tunnel starts operation.

It has not yet been possible to achieve shorter travelling times in international traffic. In the Benelux-Germany-Switzerland-Italy corridor, the same timetables are being used as in 2015. “90% of the potential savings in time is offset by waiting”, explains Hans-Jörg Bertschi, chairman of the Board of Directors of Hupac Ltd, during the annual results media conference in Zurich on 1.6.2017. An internationally agreed train path planning, which will pass on the advances in productivity from the Gotthard base tunnel to the market, is still in its infancy.

For years, Hupac has been preparing itself for the abolition of the Swiss subsidies for combined traffic at the end of 2023. Lower production costs and more payload per train is the motto, in order to compensate for the discontinuation of the subsidies without losing competitiveness compared with road. While in Switzerland the production conditions will be optimal with the completion of the four-metre corridor via Chiasso and Luino, a delay in the removal of productivity bottlenecks along the Rotterdam-Genoa freight corridor can be observed. “The parameters of 2000 t train weight with one engine, 740-metre train length and 4-metre profile are the basic prerequisites for a cost-effective operation of the combined traffic,” emphasises Bertschi. But there are still restrictions in Germany and Belgium with regard to train length and in Italy with regard to train weight.

“In order to compensate for the abolition of the Swiss subsidies from 2023, we have to increase productivity continuously and at all levels,” claims Bertschi. “While road markedly improves its competitiveness through low diesel prices and innumerable innovations, rail is noticeably losing ground.”

Is the intended self-financed operation of combined traffic on the access routes in Switzerland and Italy in danger despite the Gotthard base tunnel and 4-metre corridor? Two thirds of today’s subsidies could be compensated for if the infrastructures were upgraded consistently and corridor-wide, which, however, cannot be guaranteed as things stand today. One third cannot be compensated for, which presents a serious risk for combined traffic in transit through Switzerland.

The numerous construction sites in the rail network will also present a burden in the coming years. Problems arise particularly from insufficient international coordination and from poor consideration of market requirements.

Jointly exploit productivity potential

Hupac suggests an internationally coordinated route plan for Swiss transit in the Benelux/Germany/Switzerland/Italy freight corridor as a means to achieving the aspired shifting effect of the NEAT system, with the aim of optimally planning and setting the frequencies of available route capacities. “If the trains run instead of waiting at the border, everybody wins: the tracks are free, locomotives and drivers can be more productively deployed, the rotation of the wagons improves, terminal slots are used better, and the customers are happy.”

The removal of pinch points in the infrastructure must also be at the top of the list of priorities of the transport ministries and the infrastructure operators. Rail freight transport has different requirements from passenger transport. Quite often it is a matter of small measures such as the extension of passing loops; these are specific to freight traffic and have to be prioritised accordingly if a shift of heavy freight from road to rail is to be achieved. Bertschi: “Only if an upgrade to 740 metres is implemented in Germany can we benefit from the full productivity gains of an efficient freight corridor. A vital step for our sector because in the foreseeable future, road traffic will achieve vast improvements with gighliners, platooning and fuel-efficient engines.”

Against this backdrop, it is also important to consider other actions for supporting the transfer of traffic – particularly during the difficult transition period with construction sites and hindrances in the corridor far beyond 2030. “Halving the train path prices for freight traffic, as is currently under discussion in Germany, is a clear signal with an immediate effect on modal shift”, says Bertschi. Switzerland, with its comparably high train path prices, should take this transparent and discrimination-free modal shift tool into consideration.

“One belt, one road”: Hupac seizes opportunities in China traffic

Hupac offers a broad spectrum of intermodal transport services, which was hugely expanded in 2016. In the Shuttle Net intermodal network, new shuttle trains started at the beginning of the year between Venlo (NL) and

Busto Arsizio as well as between Zeebrugge and Novara. In June 2016, it was also possible to introduce a connection between Rotterdam RSC and Brescia. For the first time, Hupac now includes the French market in the network with the shuttle that started operating between Le Havre and Ludwigshafen in September. The 4-metre trailer market segment between Benelux/Germany and Italy via Lötschberg/Simplon is particularly vigorous. The departure frequency was increased on many connections.

The connections Geleen (NL) ⇄ Busto Arsizio, Rotterdam Europoort ⇄ Novara, Piacenza ⇄ Oradea (RO), Antwerp Combinant ⇄ Busto Arsizio and Zeebrugge ⇄ Oradea (RO) were set up in the Company Shuttle division on behalf of major clients.

Successes have also been registered in the traffic with China. The Shanghai branch, opened in 2016, was able to organise consignments for the first time. At the end of May 2017, a Hupac block train set off from Korla, in north-west China, to destinations in Germany and France. In June 2017, Hupac will launch a regular shuttle train between Ludwigshafen and the terminals of Brest and Malaszewicze, on which large volumes of transcontinental traffic are handled. "As the first step in our China strategy, we want to open up our European network for traffic from/to China", explains Bernhard Kunz, CEO of the Hupac Group. Shipments in the Far-East traffic can use the Hupac capillary network and the door-to-door service from Brest/Malaszewicze.

Investments in the future

The investment strategy adopted in 2015 is being implemented by Hupac according to plan. In 2016, orders were placed for 260 rail platforms which will increase to a further 450 in 2017. At the end of May 2017, Hupac had signed purchase agreements for eight multi-system locomotives ("D-A-CH-I-NL"). The first deliveries are planned for May 2018. The locomotives travel under the management of the railway partners and will be exclusively used for Hupac consignments. "A step towards increasing productivity and assuring quality", according to Kunz.

Substantial resources are also flowing into the digital transformation of the company. The journey goes from process optimisation to the setup of platforms, from automated communication through to the development of new business models. It is planned to install OCR portals at the Hupac terminals for the collection of train and load unit data. The SPEAK capacity management tool will increase the planning capability of the logistic chains. Sensor technology will increase the safety standards for rolling stock and facilitate predictive maintenance. Integrated booking-to-billing platforms and an improved flow of information are of paramount importance for customers.

Outlook for 2017

In the first months of the current year, Hupac was able to record a positive growth in traffic of 9.3% in transalpine traffic and 7.8% overall compared with the same period in the previous year. It is expected, however, that growth will ease off by year end. The reason for this is the six-month closure of the Luino track because of construction work for the 4-metre corridor, which should be completed by 2020. The traffic will be diverted through Domodossola and Chiasso, but irregularities and capacity constraints should be expected.

In June 2017, Hupac will celebrate its 50th jubilee with staff, customers and partners. The joint venture, started in Ticino in 1967 by four transport companies and the SBB with a starting capital of 500,000 Swiss Francs, has now become the leading network operator in intermodal transport in Europe. "We look back on our past with pride", states Bernhard Kunz. "Proximity to customers, investments in our own resources and

the willingness to innovate have always been the guiding principles of Hupac. The coming years will once again present great challenges. Together with our staff, customers and partners, we want to make combined transport the number one choice for long-distance freight traffic in Europe.”

Hupac profile

Hupac is the leading network operator in intermodal transport in Europe. Its network offers connections between the main European economic areas and to destinations as distant as Russia and the Far East, with around 110 trains per day. Hupac was founded in 1967 in Chiasso/Switzerland. The Hupac Group comprises 17 companies with locations in Switzerland, Italy, Germany, the Netherlands, Belgium, Poland, Russia and China. The company has around 450 employees, 5,500 rail platforms and operates efficient terminals at key locations in Europe.

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