

Integrating Transport Networks

Position Paper

EAST WEST Transport Corridor

A complete intermodal transport chain from East to West



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Integrating transport networks – Position paper

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***Globalisation** of the world economy has caused tremendous challenges for trade development and transnational transport services. A fresh look at construction of new transport routes in the Baltic Sea Region (BSR) could be one of the important factors for the establishment of a more efficient transport link better served to support rapid growth of international trade.*

1. Expansion of the EU

Expansion of the European Union and its related effect on the rapid growth of the economies in the Baltic States will make balanced and modern transport network development necessary, not only as traditionally in the Northern part of the BSR, but in the whole BSR.

It is extremely important to draw **special attention to the Southern part of the BSR** as one of the most dynamic growing regions of the EU. Where transport industry and business facilities can be more widely and efficiently used for transnational trade demand.

In general, as of May 1st, 2004 the BSR has the following attributes:

- Internally producing, internally exchanging, and internally consuming market of eight states around the Baltic Sea with approximately 100 million inhabitants.
- Competes as a region in the global market with intraregional products and services.
- Functions as a transit transport gateway to the CIS.

- Provides an industrial and logistical platform for global industries and services.

Trade and traffic in the east-west direction of the BSR is increasing dramatically. The main reasons for this are:

- Globalisation.
- Development of fixed links between economically important zones.
- Increased cohesion in trade and transport policy making.
- Infrastructure development.
- Scientific research and development.
- Development of high technology and low cost production.

2. The East West Transport Corridor

The East West Transport Corridor between Vilnius - Esbjerg via the Oresund region, includes several Trans-European transport network (TEN-T) ports, road and railway links, the Southern part of the Nordic triangle, as well as the middle section of the Pan-European transport Corridor IX (Lithuania, Kaliningrad). It has a strong and **growing market position**, but is hampered by bottlenecks and the **lack of a common intermodal transport** concept.

The potential of increased growth along the East West Transport Corridor is possible because of the following factors:

- Increasing use of containerization.
- Sophisticated products and high quality of services.
- Consistently growing consumer markets in the Baltic countries as well as Russia, the Ukraine and Belarus.

- Logistic service providers are looking for new supply chains.

The long-term goal for all partners of the project should be to make the East West Transport Corridor become an important link of a transcontinental transport route between China and Benelux/UK via Russia, Belarus, Lithuania/Kaliningrad, Sweden, and Denmark. This will make the East West Transport Corridor between Esbjerg and Vilnius very important for world wide trade development.

3. Business driven demand

The strong business driven demand is the driving force for developing a transnational East West Transport Corridor. The following stakeholders should be involved:

- State and regional authorities.
- Port terminals.
- Warehouse operators.
- Carriers: railway, haulers, shipping companies.
- Forwarders, agents.
- Controlling institutions.
- 3PL – supply chain managers.
- 4PL – integrators of several supply chains.

The stakeholders have different interests which are all important to the project. There are **different business goals**, varying **philosophies** of stakeholders, different **business cultures**, differences in **capacities, technologies**, resources and incompatible **staff** abilities. Stakeholders may also be **reticent** to divulge hyperbolic commercial secrets within the field of logistics.

4. Intermodalism

Another important issue dealing with integration of transport networks is expansion of the **network of logistics centers** (LC) and/or transport hubs.

The latest trends in the EU regarding intermodal transport development are associated with the establishment of public logistics centers. These facilities, functioning as intermodal transport bases, should create favorable conditions for all transport related service providers to run their added value businesses, and act as main hubs generating and attracting freight flows.

The fact that transport development objectives continue to change in light of significant technological developments, further liberalization of the transport market, expanding globalisation of trade, and growing environmental concerns should be kept in mind. This means that an only uni-modal point of view is no longer acceptable. The objectives of the transport sector to be adequate with customers' new demands raise a need for transport services based on interoperability. Therefore, a multimodal (intermodal) attitude should become the main topic for transport system development.

However, the development of a seamless transport chain is hampered by bottlenecks and lack of a common intermodal transport concept.

The goal of turning intermodality into reality is not so simple to reach. The reason lies in the nature of intermodality and interoperability. Some factors to consider when implementing a sustainable intermodal transport chain are:

- Condition of infrastructure.
- Condition of transshipment technologies in the terminals.
- Human resources.
- Transport means and loading units.
- Application of ICT.
- Geographical barriers.
- Legal-political barriers.
- Financial barriers.
- Economical barriers (volumes and directions of the freight flows).

These factors are sometimes recognized as barriers that hamper successful development of intermodal transport services and seamless transport corridors. In order to overcome some of these obstacles hindering a successful implementation of the trade corridor different stakeholders mention some of the following:

- Elimination of bottlenecks.
- Promotion of intermodal transport and logistics centres.
- Modernization of railways infrastructure.
- Fewer administrative barriers.
- Effective regulation.
- Concentrate (public) funding capacities on priorities.

However, in order to sustain the growing economies and maintain a competitive position in global markets a properly functioning transport system in each individual country of the Baltic Sea Region (BSR) is required. **A fresh look** at construction of new transport routes in the BSR could be important for the establishment of a more efficient transport link serving rapid growth of international trade. Also it is imperative to utilize transport industry and business facilities in a more efficient way in order to satisfy transnational trade demand.

5. Most promising freight routes

The different freight routes will act like a funnel leading freight volumes into the East West Transport Corridor. The corridor will thereby not only be supported by a single freight route, but by a variety of different routes transporting different types of goods. This will make the corridor much more robust when dealing with changing freight volumes than if it were feed by only a single route or goods type.

The following freight routes are currently the most promising:

- **North and Middle China freight** via the Trans-Siberian Railway and by Pan-European Transport corridors II and IX through Klaipeda to Karlshamn by ro-ro feeder line and by rail to Copenhagen hub/Esbjerg port. Currently goods manufactured in China for export to the EU by worldwide brands such as Delphi, Bosch, Michelin, Visteon, JCI, Siemens, IKEA, and various auto manufacturers are transported on ships from East Asia to Western European ports. The sea distance is more than 20 thousand kilometres. The alternative is a train corridor to the Baltic via the Trans-Siberian Railway. That distance is only 11 thousand kilometres. Lead time could be a strong advantage when comparing against deep sea shipping. The biggest growth in trade and transport is expected to take place in the eastern part of the BSR. Trade flows between that region and East Asia are expected to grow considerably, especially with China because of its rapid economic development and accession to the World Trade Organisation. Is there any indication of the freight capacity of the trans-Siberian railway? Maybe it should be mentioned that only a small fraction of the far-east transport can be shifted to the Trans-Siberian railway. Would it be an idea to focus more on specific types of freight like e.g. perishable goods or high value goods like electronics?
- **Russian freight** exports (metals, wood, chemicals etc.) and imports (food, machinery etc.) via Pan-European Transport corridors II and IX through Klaipeda - Karlshamn by ro-ro feeder line and by rail Karlshamn-Esbjerg port. The Basic hubs are Moscow, Copenhagen, and Esbjerg. Some of Russia's trading partners are: the UK, USA, Canada, and South American countries.
- **Black-Sea** region trade with the UK, Sweden/Denmark, USA/Canada. The Black sea region with Turkey and Ukraine's

partnership with the EU bring economical growth opportunities. An existing shuttle train Klaipėda-Odessa, and the Pan-European transport corridor IX (via Minsk to Odessa) are the most likely routes for freight flow formation in the future. The Ukraine's export of iron ore, coal and other raw materials, and import of machinery, food as well as an increase in trade with Russia signal a potential of increased freight turnover.

- The trade with **North** and **South America** from Atlantic UK ports via Esbjerg Port.
- Internal freight **between Baltic states and Denmark/Sweden** as origin for Klaipėda-Karlshamn Sea Motorway. Lithuanian export to Sweden and Swedish export to Lithuania create some part of freight in mentioned corridor. (to be supplemented)

As goes for the western routes (or OD's) it might also be worth mentioning that the port of Esbjerg already has quite a number of direct short-sea-shipping lines to other EU countries e.g. UK, Belgium, the Netherlands, Italy, Greece and indirect connections to almost any port in the EU. With the right volume of freight within the East-West corridor some of the existing lines (and maybe some new ones) could be "upgraded" to motorways of the sea (MoS).

6. Shuttle trains integration into networks

Combined train "Viking" is a joint project of Lithuanian, Belarusian and Ukrainian railways, seaport cargo companies, and Klaipėda, Ilyitchovsk and Odessa seaports, which were established 2.5 years ago.

The train carries 20 and 40-foot containers as well as semitrailers and trailer-trains

(contrailers). They are shipped to Klaipėda port by sea transport from Scandinavia and Western Europe as well as via Mukran-Klaipėda ferry-line, and are carried on further to the Ukraine, Belarus, Near East, and Caucasus – via Il'yitchovsk and Odessa sea ports and back.

The containers and trailers are delivered by the train "Viking" not only to Klaipėda (Lithuania), Ilyitchovsk and Odessa (Ukraine) sea ports, but also to other train station in Belarus, Lithuania and the Ukraine.

The railcars with containers to Georgia and Armenia can also be delivered via Ilyitchovsk (Ukraine)-Potch (Georgia), Ilyitchovsk (Ukraine)-Batumi (Georgia) ferry lines. Others sent to Turkey can be transported via Ilyitchovsk (Ukraine)-Derinj (Turkey) ferry line.

Container train "Mercury" running from Lithuania to Moscow was launched in the summer of 2005. The train is an international project of Lithuania, Russia and Belarusian railways. The purpose of both the Viking and Mercury projects is to deliver cargo to the destination in a much shorter time and by a cheaper tariff. But, unlike "Viking" which runs from Lithuania to the Ukraine via Belarus and delivers containers and contrailers (trailers, semi trailers, trucks with trailers or semi trailers), "Mercury" will transport only containers. The goal of this project is to attract more container cargo to Klaipėda and Kaliningrad Seaports. Loaded and empty 20, 40 and 45 feet universal and specialized containers will be transported to Klaipėda/Kaliningrad – Minsk, Moscow and back.

The carriers using the train "Mercury" will be rendered extra logistic services allowing delivered containers door – to – door, and cargo consignors and consignees will have the possibility to choose the most suitable model of logistics chain. Opportunities to promote these projects in the future should be considered as one of key success factors to

assure vitality of the East West transport corridor and integration of this corridor into the Euro-Asian freight transport market.

7. Integration Corridor – Motorways of the Sea

The European Commission's white paper of 2001 states that it is essential to minimise reliance on the overused road transport system by utilising the motorways of the sea (MoS) as integrated intermodal options based on short sea shipping, providing frequent and high-quality alternatives to road transport. The adoption of Article 12a of the TEN-T Guidelines of 29 April 2004 supplies a legal framework for funding the motorways of the sea. The article states three main objectives for the MoS: freight flow concentration on logistical sea routes, increase of cohesion, reduction of road congestion through modal shift.

Given the nature of the Baltic Sea as an inland sea the BSR has good Motorways of the Sea development possibilities. The sea transport corridors connect important future gateways for trade between the Baltic Sea Region, the European continent, and the rest of the world. The region's closeness to large markets in both the East and the West strongly promotes this development. Concrete shipping links will be the part of the East-West Transnational Transport Corridor. (to be supplemented)



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