

Bottlenecks in the East West Transport Corridor

Study based upon the Danish respondents



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Table of contents

INTRODUCTION	5
RESPONDENTS	5
1. BUSINESS ENVIRONMENT	6
2. INFRASTRUCTURE	7
3. AUTHORITIES (EXCL CUSTOMS)	8
4. SHIPPERS	10
5. TRANSPORT SUPPLY	11
6. CARGO HANDLING	12
7. CUSTOMS	13
8. PRICING AND TARIFFS	14
9. RECEIVERS	15
OVERALL VIEW OF THE RESULTS	16
RESPONSES REGARDING THE EAST-WEST TRANSPORT CORRIDOR	16
CONCLUSION	17

This paper deals with the obstacles and bottlenecks that currently hinder efficient trade and utilization along the East West Transport Corridor. The information is gathered through interviews with 18 Danish companies, both transport buyers and shippers, based upon a common questionnaire used in all countries involved in the project. The bottlenecks for each of the areas are described and are supplemented with a graphical overview of the results of the questionnaire. This shows that the most common bottlenecks that hinder efficient transport are the customs in Russia, the lack of available truck drivers, the closing of minor railways in Denmark and the higher priority of personnel transport compared to goods. Overall, the respondents are positive regarding the East West Transport Corridor and if it is competitive to the other transport alternatives, with respect to price, transport time and transport frequency, then many would consider using this in the future. The main concerns regarding the corridor is the great deal of handling of the goods, which many believe will have a negative effect on the transport time and price.

Introduction

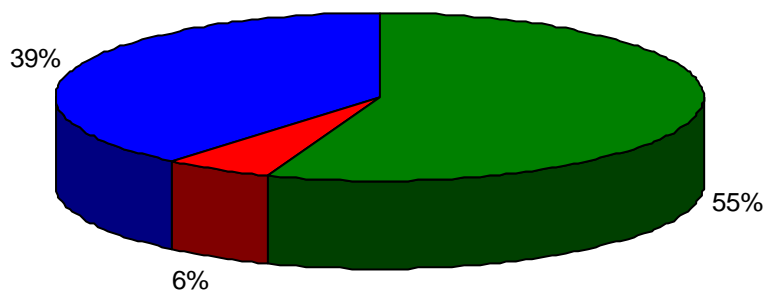
The main objective of this paper is to gain knowledge of the obstacles and bottlenecks that currently hinder efficient trade and utilization along the transport corridor from Esbjerg to Vilnius via Oresund, Blekinge and Klaipedia. This is seen from the point of view of potential users in Denmark. The information is based on the questionnaire shown in appendix I. The majority of the questionnaires have been answered either through personal meetings or by phone interviews, thereby giving the respondents a better opportunity to express their knowledge and opinions of both the current bottlenecks for efficient transport and their general attitude and ideas regarding the East West Transport Corridor.

The paper consists of answers and comments to each of the areas of the questionnaire, along with other areas which have not been covered, but which are important to the respondents. This is followed by the overall response to the idea of establishing the East West Transport Corridor and the general comments to the project. With this as background, the main areas of interest from the chapters are summed up in the conclusion with an overall discussion of whether the corridor is advisable from the users' points of view or not, and which bottlenecks should be dealt with.

Respondents

The paper is based on answers from 18 Danish companies, of which 10 are production companies, mainly located along the corridor and the remaining are shipping companies (and one transport supplier).

Distribution



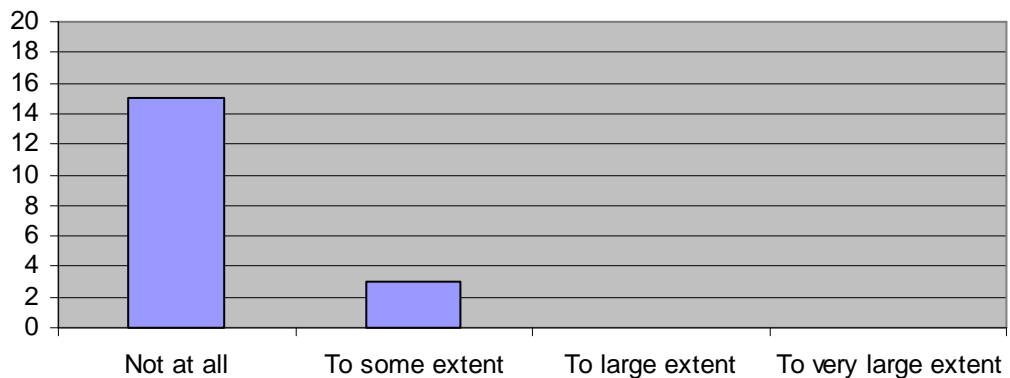
■ Transport buyer ■ Transport supplier ■ Forew arding agent, broker, intermodal or terminal operator

The reason for the large number of shipping companies in the survey is that many of the transport buyers, which were contacted, did not feel they were able to answer the questionnaire since they had shipping companies to handle everything. The shipping companies in the study were also able to give more detailed information on each topic as they had experience from a range of different tasks. However, the large number of transport suppliers in the study may have an effect on the answers given and should be considered when evaluating the information. Most shippers have not filled in the area "shippers" in the questionnaire, whereas others have filled it in seen from their customers' points of view. Some of the interviewed transport buyers only had limited knowledge about the areas: authorities, customs, cargo handling and receivers because they had shippers to handle this. If they felt they were unable to answer one or more of the questions adequately, they were not filled out.

1. Business environment

The general factors which the respondents view as important concerning business environment are: *Language and cultural differences.*

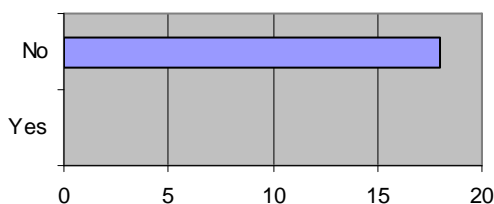
Are the cultural differences bottlenecks for your company when it comes to doing business along the East West Transport Corridor?



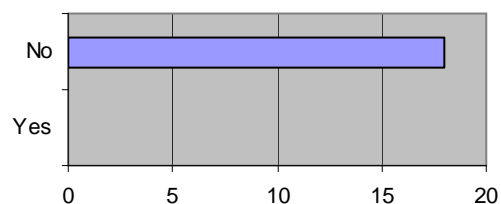
The diagram above shows that the respondents generally agree that the business environment is not a bottleneck for transport today. The only factors mentioned were those concerning the cultural differences in Russia, and some of the respondents felt that they could not expect the same security with the delivery time to their costumers. In general, the people who participated in the interviews said that especially the Baltic region had a high degree of language skills and that there were no problems concerning this area.

Based on this information, the business environment is not expected to be a bottleneck for the East West Transport Corridor

- Does it prevent you from doing business along the corridor?



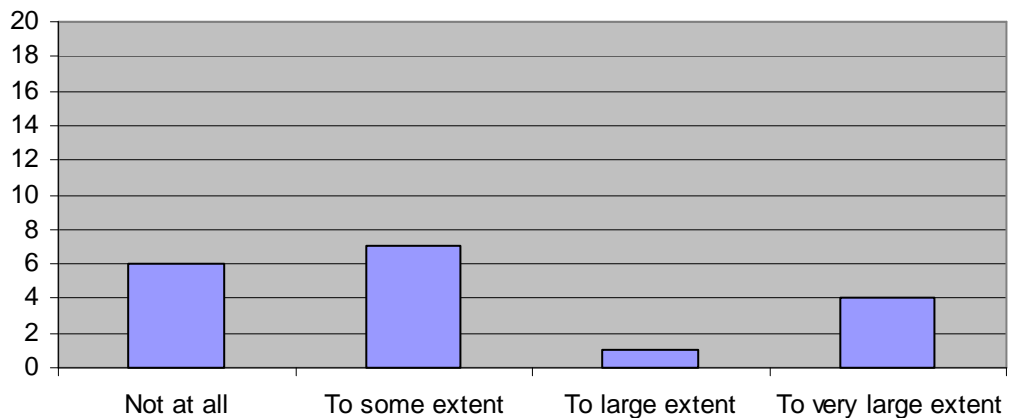
- Do you choose to do business in other geographic areas because of this?



2. Infrastructure

The general factors which the respondents view as important concerning infrastructure are: *Time and capacity.*

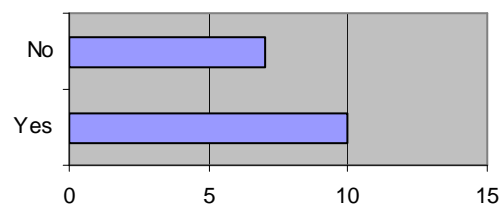
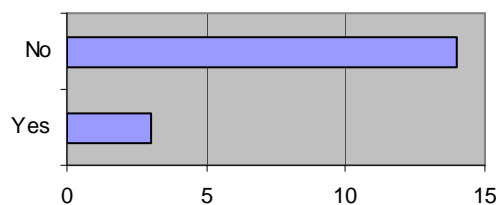
Is the infrastructure along the East West Transport Corridor a bottleneck in your business today?



Many of the respondents view infrastructure as a bottleneck due to the closing of the railway from Esbjerg. This has caused users of the railway to switch to trucks causing an estimated increase in road traffic with up to 70 trucks per week. At the same time there was a desire for getting the railway back to the harbour in Esbjerg, because of the convenience it would bring. A number of the transport buyers produce large special goods, such as windmill-parts, and regarding the transport of these items, the infrastructure is often a bottleneck since the requirements are different compared to regular goods. Finally the difference in rail width between the countries is also viewed as a bottleneck because this causes additional handling of goods and increased transport time.

Concerning the East West Transport Corridor, it is mentioned that the combiterminals in Malmö are highly burdened with cargo at the moment so it could be a problem if the corridor put even more pressure on them. In Denmark the terminal in Taulov should be integrated in the corridor or it would decrease the expected cargo that could potentially be sent from Jutland, through Sweden and to the Baltic region.

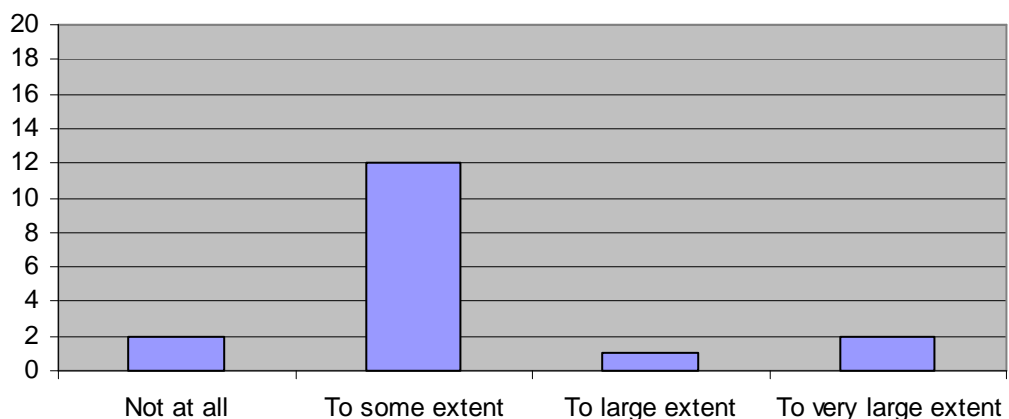
- Does it prevent you from doing business along the corridor? - Do you choose other routes because of this?



3. Authorities (excl customs)

The general factors which the respondents view as important concerning authorities are: *Effectiveness, speed and bureaucracy.*

Are legislation and the authorities along the East West Transport Corridor a bottleneck in you operations today?



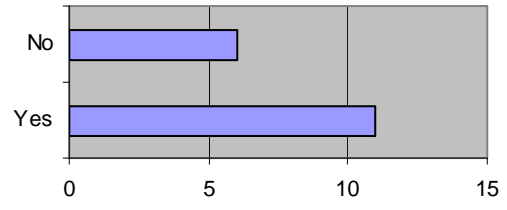
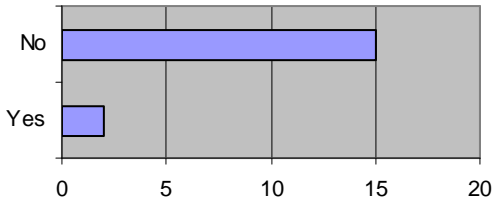
Most of the transport buyers had shippers handling everything on this area because of the special rules that exist in different places of the corridor. The majority stated that they needed an effective and trouble free transport of their goods and were therefore more willing to pass on the paperwork to others with a higher knowledge and experience.

The bottlenecks concerning authorities involve both Russia and Denmark:

Denmark: Authorities in Denmark are viewed as a bottleneck because of the closing of minor railway tracks, which has resulted in the transfer of goods being moved from rail to road. In this the Minister for Transport is viewed as inactive because of the higher priority of passenger transport compared to cargo. Also the strict rules regarding driving hours were seen as a bottleneck by some.

Russia: Generally the respondents had experienced problems in Russia. The main bottlenecks are the restrictions, which are to be followed, and the bureaucracy which can cause long delays. Especially small shipments often tend to be late on delivery because of rules and regulations.

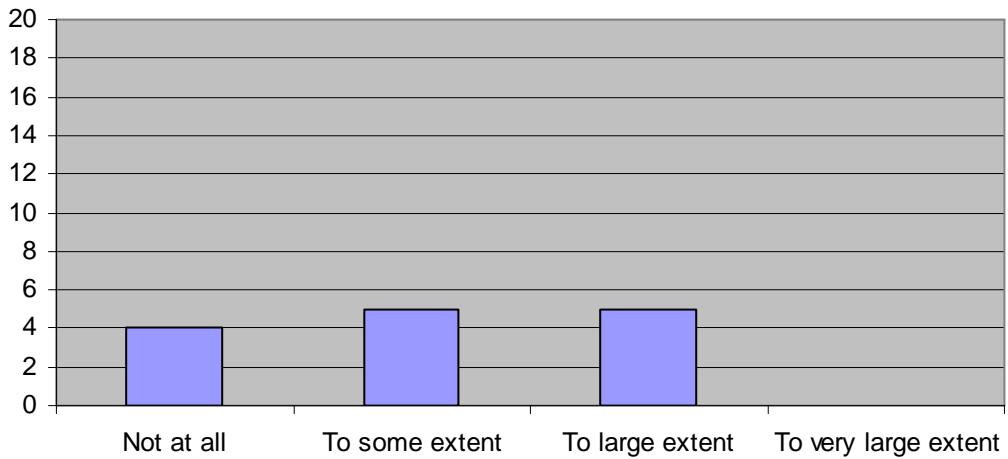
- Does it prevent you from doing business - Do you choose other routes because of this?
along the corridor?



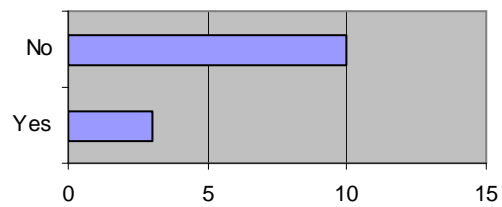
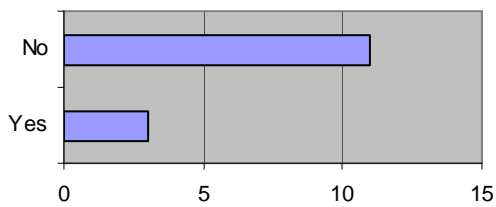
4. Shippers

The general factors which the respondents view as important concerning shippers are:

Are the shippers a bottleneck in your operations today?



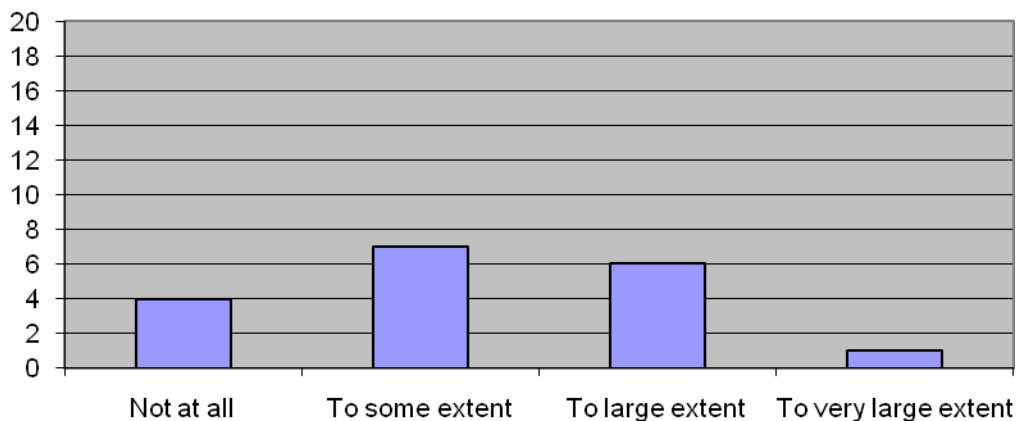
- Does it prevent you from doing business along the corridor? - Do you choose other routes because of this?



5. Transport supply

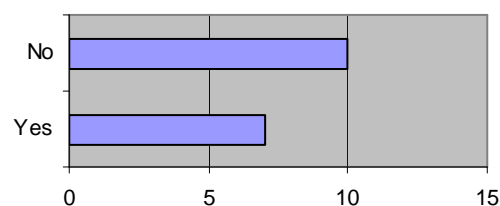
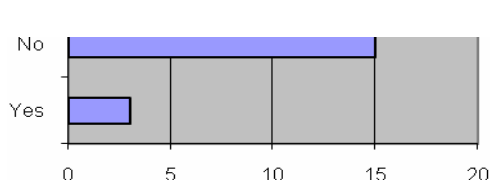
The general factors which the respondents view as important concerning transport supply are: *Quality, flexibility, stability, frequency, price, sufficient size and ability to handle paperwork.*

Are the transport suppliers a bottleneck in your operations today?



The lack of available truck drivers is among many of the respondents considered to be a bottleneck in their operations today, and because of this the price of road transport has also risen. The general view is also that the problem will increase in the future. This only strengthens the demand for alternative transport routes needed in order to take the load off the roads. More specifically regarding the East West Transport Corridor, it is mentioned that it is important that several shippers are involved as partners in order to ensure that there is a certain amount of competition, which will keep the prices low. However, several also mention that the capacity of the Ro-Ro ferries currently is a bottleneck, especially in the peak season (close to Christmas). Regarding rail transport then the low frequency of departures is currently a bottleneck and, if it is to be considered an alternative to trucks, both frequency and capacity should be high. Again, Reilions closing of minor railways in Denmark is mentioned as a major bottleneck for the operations along the corridor from several respondents.

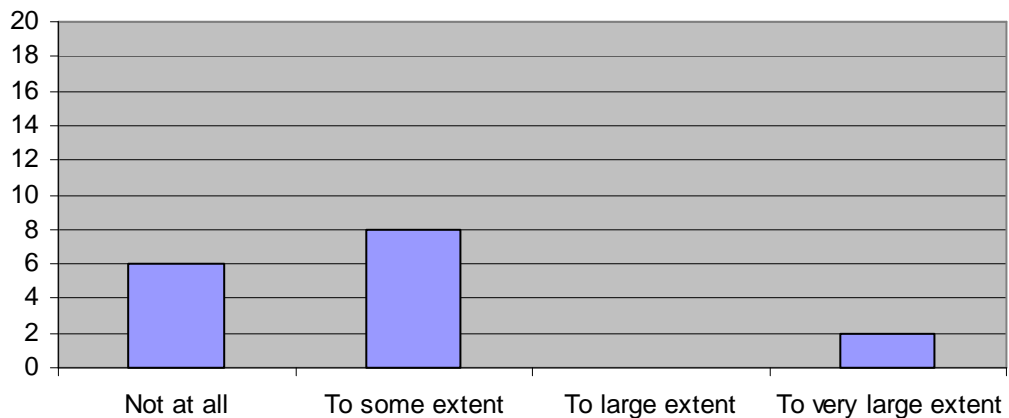
- Does it prevent you from doing business - Do you choose other routes because of this?
along the corridor?



6. Cargo handling

The general factors which the respondents view as important concerning cargo handling are: *Adequate handling equipment, time.*

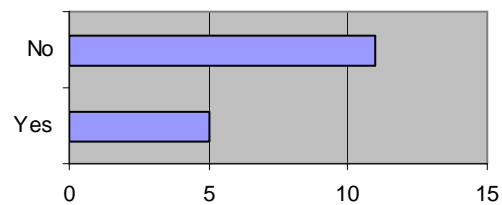
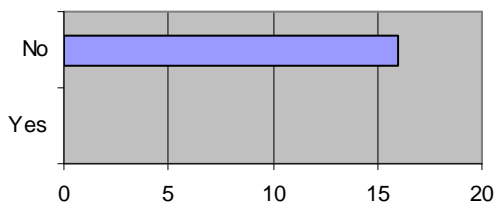
Is the handling of cargo along the corridor a bottleneck in your operations today?



The cargo handling in Russia, and to some extent the Baltic region, is by some considered a bottleneck, because of the waiting time involved. Also the handling of special cargo, which is not shipped in containers or trailers, is viewed as a bottleneck as most handling equipment is constructed to handle standard goods.

In the future the rising rates of cargo handling could also be of some importance for the choice of transport route.

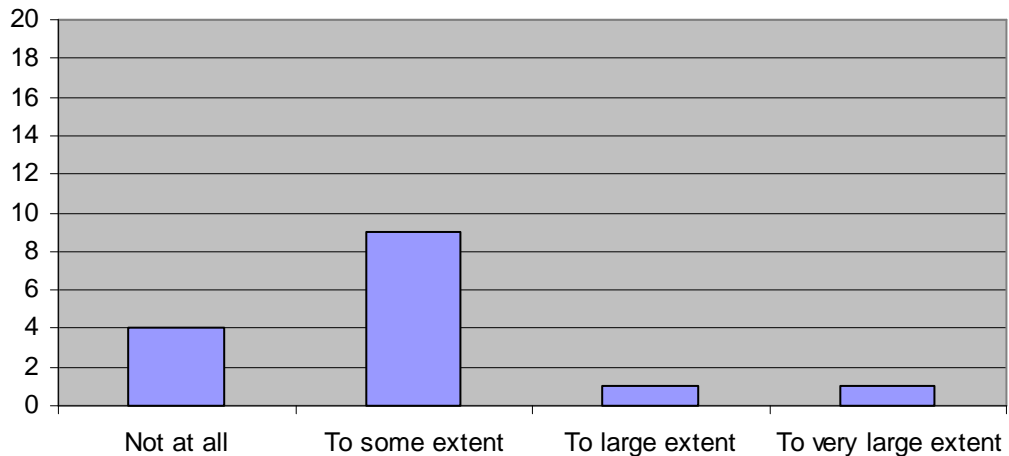
- Does it prevent you from doing business along the corridor? - Do you choose other routes because of this?



7. Customs

The general factors which the respondents view as important concerning customs are: *Waiting time, documents and clearances.*

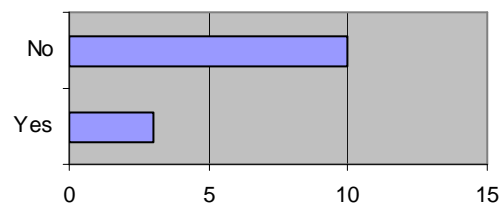
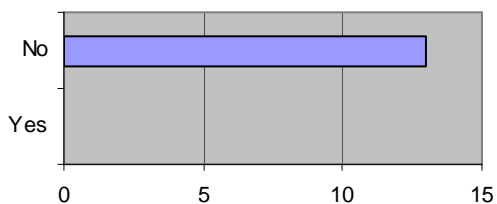
Are customs a bottleneck in you operations today?



For all countries within the EU customs are not considered to be a bottleneck, with the exception of one respondent which had problems getting the right permits in Sweden. However, in Russia, customs are still a bottleneck for most companies although the situation has improved compared to 6-8 years ago. The problem mainly relates to long waiting times and problems getting the right documents and permits. It is, however, commonly accepted among many that it is the case and is therefore taken into consideration when the delivery time is set.

Considering the East West Transport Corridor it is pointed out by some that all paperwork should be included as part of the complete transport solution while other respondents do not want the paperwork to be handled by others. A further investigation of this area could therefore be relevant.

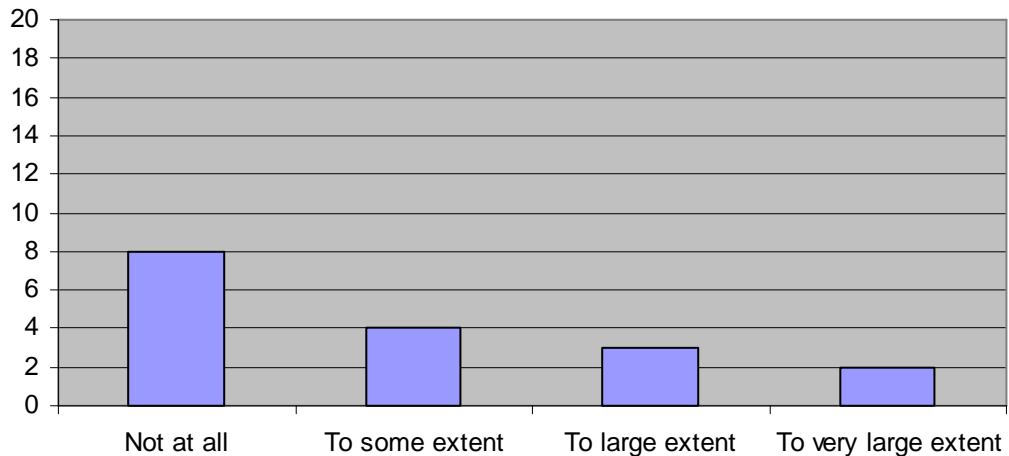
- Does it prevent you from doing business along the corridor? - Do you choose other routes because of this?



8. Pricing and tariffs

The general factors which the respondents view as important concerning pricing and tariffs are: *Flexibility, price, speed and security of supply.*

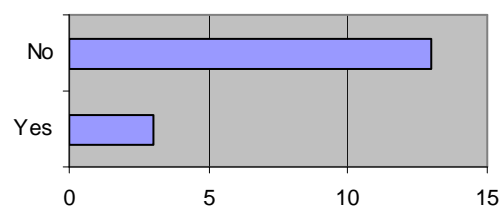
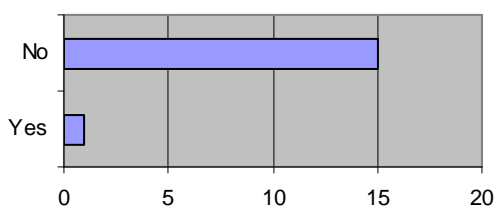
Is pricing and tariffs a bottleneck in you operations today?



Concerning the pricing; it is important when dealing with products of relatively low value that the price of the transport is very significant when evaluating the corridor. When dealing with products of higher value, the important factors are speed and the security of supply. The corridor is therefore very dependent on having a relatively low price compared to the alternatives today. Some of the respondents also mentioned that price was not a bottleneck since all players on the market had to deal with it and had to pay the same amount of money for the transport. But assumably most of the respondents are interested in having costs as low as possible.

When considering the transport offers, price is an important factor. However, it is stated that the lack of flexibility of trains means that, to a large extent, many will still use trucks even if they are more expensive.

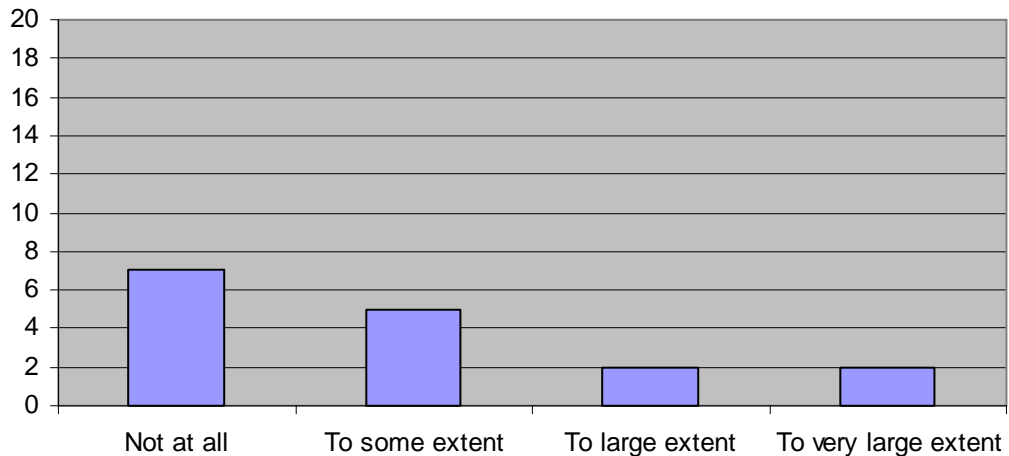
- Does it prevent you from doing business along the corridor? - Do you choose other routes because of this?



9. Receivers

The general factors which the respondents view as important concerning receivers are: *Speed, time, handling and storage yard.*

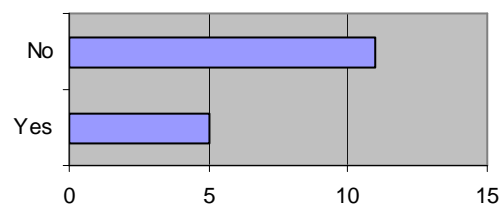
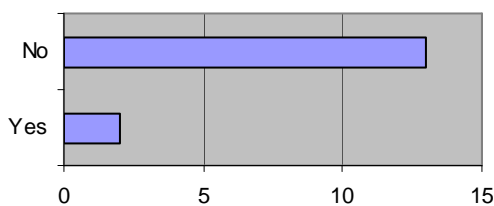
Are the receivers a bottleneck in your operations today?



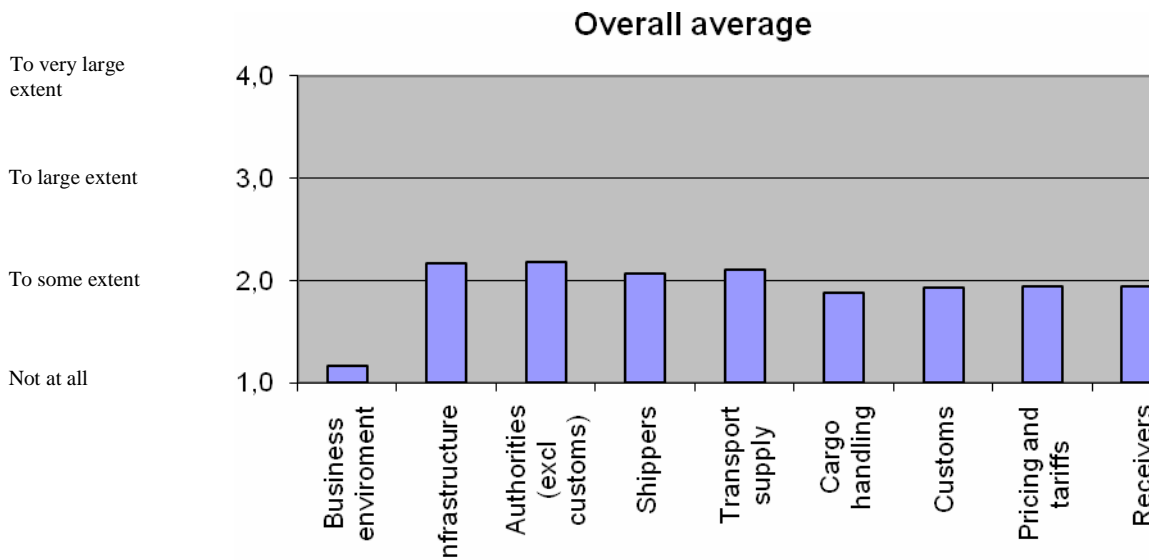
There is a problem with lifting and handling from train to ground and after that from ground to boat. It takes time to lift the goods and requires a lot of storage yard. There are also problems with the handling of special goods and this is primarily regarding the containers.

Some pointed to trends which show that the problems occur in the Baltic region and Russia, and a few of them claimed that the harbour of Klaipeda was generally slow when it came to handling the cargo. They also mentioned that it was important that the goods received a quick turnover when handled by the receivers. Another area that the respondents mentioned was that the Just-in-time principle had to be kept because some of them were using LEAN in their production.

- Does it prevent you from doing business along the corridor? - Do you choose other routes because of this?



Overall view of the results



Looking at the average value of responses, it shows that only the business environment is not considered to be a bottleneck today. All other areas are, to some extent, considered to be a bottleneck, but none of them differ greatly. However, based upon the additional comments from the respondents and the number of times it is stated that other routes have been chosen, it shows that infrastructure, authorities, and transport supply are major areas of concern.

Responses regarding the East-West Transport Corridor

Among the participants of the survey the common opinion was that lowering the increasing pressure on the road system was of great importance. The main part of the respondents meant that the East West Transport Corridor was a possible solution and that they would use it in the future if the conditions offered were suitable. However, many were concerned that this solution would cause too much handling of goods, which would have a negative effect on both the overall transport time and price of using the corridor. The issue of additional handling is related to the loading between ship and rail in Esbjerg, Karlshamn and Klaipeda. For all transport suppliers without direct rail connections there would also be additional handling involving the transportation of goods by truck from the factory to the railway station, and in many cases also the last transfer to the receiver. The more specific comments relating to the corridor is that Taulov should be integrated as a connection point in order to ensure the linkage to transport from outside the corridor.

Important factors which were to be fulfilled if the respondents were to use the corridor:

In the discussion following the questionnaire the respondents pointed out a number of requirements, which should be satisfied if they were to use the corridor. The main factors mentioned were that price should be able to match other transport solutions currently available, and that the stability had to be high so the goods were always delivered on time. Besides this, if the

corridor is to succeed, a clearly defined group which has the responsibility and can be contacted by the clients if there are any problems, should be formed to perform a strict overall control of the corridor to lower the risk of mistakes. The frequency of departures and the overall transport time compared to other solutions are also important factors to the respondents.

One shop solution

Regarding the one shop solution it is important that the transport corridor is easy to use by the clients and that there are no additional problems compared to having a shipper handle the transport. Several respondents also state that the one shop solution should apply all the way to the point of delivery and not just within the transport corridor. In connection to this it is also requested that the solution should start already at the costumers in order for them not having to handle the transport of goods from the company to the railway station.

Conclusion

In light of the responses to the questionnaire and the following discussion regarding the East West Transport Corridor, it shows that there is a strong need for a solution, which can take some of the pressure off the road traffic. The study shows that many of the respondents currently find the lack of truck drivers to be a bottleneck in their operations and many have been forced to find other transport routes as a result of this. Furthermore, it is expected that this problem will increase in the future as the demand for transport increases.

The idea of establishing the East West Transport Corridor was well received among most of the transport buyers and many stated that it could be relevant for parts of their transport needs in the future. If they were to use it, however, it would have to be competitive compared to other available transport alternatives. It was also stated that the corridor was most relevant to transport over longer distances, since trucks have a flexibility, which can never be achieved by using trains, and because they would still be needed for parts of the transport, unless both the transport buyer and receiver is located next to rail or sea.

Seen from the shippers' points of view (and some transport buyers') the main problem with the corridor is the additional handling of the goods, which will increase both price and transport time and also the risk of damaging the goods. Who the responsible for the overall administration of the different parties involved and making sure that everything runs smoothly, is a practical issue, which also has to be taken into consideration.

If the East West Transport Corridor is to succeed then the following proposals should be considered:

- The transport of goods by rail should have an increased priority compared to passenger transport. In relation to this the closing of many of the minor railway tracks in Denmark should be reconsidered.
- The price of using the corridor, the total transport time and the frequency of departures should be competitive compared to the current alternatives.

- The one shop solution should apply all the way from the location of the transport buyer to the receiver although this might be beyond the scope of the corridor.
- The bottlenecks regarding getting the right permits and the time it takes to get them from the Russian authorities and customs should be solved.
- Sufficient capacity of the Ro-Ro ferries should be ensured to avoid this being a bottleneck for the transport corridor.
- Taulov should be used as a connection point to other transport routes.
- The responsibility for running and overall control of the corridor should be clearly defined.
- The handling of goods should be attempted to be minimised and/or made more efficient as this could prove to be the major bottleneck for the success of the East West Transport Corridor.



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