

# Demands, competitiveness, logistics – crucial for new shipping services



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What would it take to open a new shipping service for goods transportation? SSPA has recently completed a study to analyse competitive factors and customer demands pertaining to a new shipping service between Sweden and the Baltic States. The main objective is to develop and support transport solutions for small and medium-sized enterprises in southeast Sweden, including shipping service between Oskarshamn and Ventspils, in order to facilitate trade with China and Russia and neighboring countries.

The study has been carried out in cooperation with the CARGOTO project – a Swedish regional logistics partnership involving several companies, municipalities and regional councils – and it is an example of services offered by SSPA related to intermodal transportation, market analysis and efficient goods flow.

The aim of the SSPA study is to elucidate the potential, the customers' needs, and the efforts needed to realize a strong transport alternative.

## Companies' demands on the transport corridor

The markets in China and Russia are rapidly growing and many companies are expanding their operations in these regions. Accordingly, it is becoming increasingly important for Swedish companies to have transportation with a short lead time and efficient logistic solutions between Sweden cross the Baltic Sea and to Russia and China.

The SSPA analysis identifies and describes what is needed for establishing an efficient and economically sustainable competitive transport solution, based on interviews and questionnaire responses. Potential customers were interviewed about their present transport

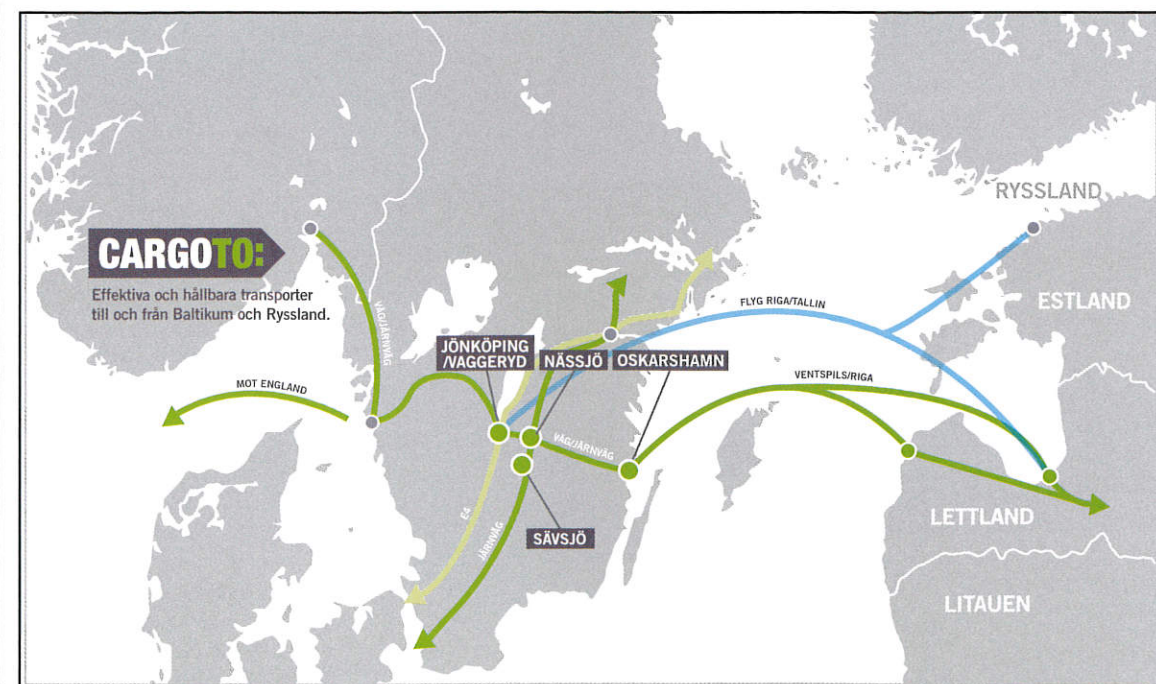


PHOTO: BY COURTESY: PORT OF OSKARSHAMN

chains and what would be required in order for them to consider a new solution. The following list is a summary of the factors that are highly valued:

- Lower price
- Higher service level (good punctuality, competitive lead time, high security, and flexibility)
- Value-adding activities (primarily better tracking and tracing options)
- Possibilities for long-term cooperation.

In general, substantial cost reduction combined with shorter lead time and the possibilities of establishing good, long-term cooperation are required in order for potential customers to consider switching to a new transport chain.



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## Comparative analysis

Port of Oskarshamn is planning a new shipping service to Ventspils in Latvia. Oskarshamn's competitors for the traffic is foremost

- 1) Karlshamn – Klaipeda, Lithuania,
- 2) Stockholm – Tallinn, Estonia and
- 3) Nynäshamn – Ventspils, Latvia.

A comparative analysis was carried out with Oskarshamn and the three shipping services in the region. The studied routes have similar transport time across the Baltic Sea. In order to compete with existing services, it is of great importance to develop a sailing schedule with arrival and departure times adapted to the land transport connections and meet customers' demands regarding frequency and reliability.

The companies interviewed are clearly asking for a service that includes sea and land transportation (preferably by rail). There are available railways between all of the Baltic States and Russia. Between Moscow and Ventspils, the railway service is well established and it has significant capacity.

## Potential volumes

Two main groups of potential cargo for the proposed shipping service have been identified:

- Goods that are transported today between Sweden and the Baltic States, Russia and China, using existing transport corridors.
- Transit goods that pass through the Port of Gothenburg with destination to the Baltic States and Russia.

It is also expected that goods volumes to and from China, Russia, the Baltic States and other countries in Northeastern Europe will increase.

## Opportunities for new transport corridor

The positive aspects pointed out in the SWOT analysis indicate that there is clear potential for the service: there are adequate goods volumes, potential future customers have shown a great deal of interest, and the physical prerequisites are fulfilled.

The negative aspects are weaknesses/threats that could present obstacles to establishing the shipping service. The most important factors to consider are as follows:

- Tough competition from the established shipping services between Sweden and the Baltic States
- Infrastructural issues in road and rail networks to Oskarshamn
- Political factors/dimensions and political decisions regarding transportation in the Baltic States and Russia, including unreliable tariff systems, border passages, and security aspects.

Several actions have been taken in order to make improvements to overcome obstacles for example, several plans have been developed for improving the road and rail infrastructure around Oskarshamn, and the situation at the borders between Russian and the Baltic States has improved significantly in recent years.

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← The aim of the CARGOTO project is to establish a new and efficient transport route from Jönköping, Nässjö and Oskarshamn via Ventspils port in Latvia to Russia and the Far East.

ILLUSTRATION: CARGOTO

	Positive	Negative
Internal	<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>• Lower transport cost</li> <li>• Shorter lead times for customers</li> <li>• New complementary shipping service</li> <li>• Central localization in the South of Sweden</li> <li>• Offers overall logistic solutions for customers</li> <li>• Connects the Gothenburg region with the Baltic States and Russia</li> <li>• Several devoted stakeholders</li> </ul>	<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Road connection to Oskarshamn has some quality limitations, according to interviewed companies</li> <li>• Rail connection to Oskarshamn has some quality limitations according to interviewed companies</li> <li>• Punctuality and cost structure of rail connection into Russia are unreliable</li> <li>• Lack of knowledge on transport alternatives among potential customers</li> </ul>
External	<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>• Growing markets in the East</li> <li>• Creates new business relations between Sweden, the Baltic States, Russia and China</li> <li>• New intermodal transport corridor</li> <li>• Improved logistics for companies in southern Sweden</li> <li>• Attract more goods, to the region</li> <li>• Attract more shipping companies to Oskarshamn</li> <li>• Infrastructure development and investment in southeast Sweden</li> </ul>	<p><b>Threats:</b></p> <ul style="list-style-type: none"> <li>• To reach critical goods volumes</li> <li>• Tough competition from existing shipping services</li> <li>• Endurance until profitability is reached for the shipping service</li> <li>• Costs and lead time affect demand</li> <li>• Political decisions in Russia or in the Baltic States, some political instability</li> <li>• Security aspects of transportation in Russia</li> </ul>