Swedish railfreight: rivals or colleagues?

Sweden was one of the first countries in Europe to deregulate its railfreight market. Anitra Green asks the leading players on Sweden's railfreight scene what the future holds for the industry.

SINCE liberalisation two decades ago, the Swedish railfreight incumbent, like many others, has seen a distinct shift from pure railfreight transport to door-to-door services and complete logistics packages. This shift is not just the result of a drive towards greater efficiency and convenience: the need to protect the environment is now a key political issue - which also means fewer lorries and more rail transport.

The key lies in intermodal transport, with railways covering the main part of the haul and trucks the last few kilometres. It is an irony of fate that just as intermodality is really beginning to make headway, the world is hit by an economic crisis that has led to steep drops in many types of freight transport, and especially those handled by intermodal operators.

Nonetheless, the mood among Swedish rail operators remains upbeat. They are looking in the long term, actively using the down time to consolidate and consider improvements. Mr Anders Segerfelt, director international relations for the Swedish incumbent Green Cargo, speaks for all of them when he says: "I'm convinced rail has a great future, and we should all be optimistic about it."

Green Cargo describes itself as a logistics provider offering door-to-door services, though railfreight still accounts for about 80% of its activities. With turnover of SKr 6.4 billion ($US 934 million) and annual performance of 32 billion tonne-km, it operates 420 locomotives, 6700 wagons, a number of warehouses and 11 logistics centres, as well as running 150 lorries of its own and cooperating with 250 external hauliers. It also offers a Scandinavian intermodal network. Segerfelt is proud of the punctuality on Green Cargo's domestic network - 95% (within 15 minutes) for the second consecutive year in 2008.

International links

There is also a high and steadily-increasing demand for efficient rail links to mainland Europe, with the southwest corridor through Denmark and Germany as the most important route. Green Cargo has several associates in this business, as can be seen below, but also rivals, which has given rise to a complex situation that gives Segerfelt cause for concern.

"There is a lot of overlap in the railway business in Sweden and Scandinavia - operators are too busy competing with each other, when they should be pulling together to compete with road," Segerfelt says. "That is its big weakness, although I have to say that the competition is good, in that all the rail operators have become more efficient.

"In international business, we need much more cooperation and coordination between the networks. There are so many rules, regulations, and laws, but no collective agreements, as in the airline industry." However, he does see signs of progress being made with Europe's aim to standardise on English as a common language by 2013, as well as other issues such as IT harmonisation. "But it will take many years to achieve," he adds.

One of Green Cargo's associates is the intermodal operator CargoNet, in which it holds a 45% stake; the remaining 55% is held by Norwegian State Railways (NSB). Despite the current crisis, Mr Kent Carlsson, CargoNet's managing director, insists on the need to improve all aspects of rail operations as well as harmonising with the rest of Europe. "We should also attract high-value consumer cargo


green cargo

as well as the base industries of wood pulp, steel and bulk, which are unlikely to increase."

CargoNet reports annual turnover of NKr 1.6 billion and operates 24 terminals in Norway and Sweden. It runs 60 shuttles a day and boasts an average speed of 70km/h between major centres. Its Scandinavian network is linked with Hupac, Switzerland, and Kombiverkehr, Germany, to serve mainland Europe.

Another player is DB Schenker Rail Scandinavia, a joint venture between DB Schenker and Green Cargo based in Copenhagen, and clearly ambitious.

It has grown fast in recent years, with capacity up from 4.5 million train-km in 2007 to 6.2 million this year, hauling nearly 300,000 wagons a year.

"We are aiming to double our turnover and market share of 4-5% in the coming years," says CEO Mr Stig Kyster-Hansen. "We have invested almost €100 million in new locomotives for cross-border traffic, and we have established a new freight transport corridor between Sweden, Denmark and Germany via the Øresund link. We are up for the challenge." He also emphasises the importance of the ecological aspect: "This environmentally-friendly freight transport solution by rail - the green corridor - is in our hands. We are all responsible for structural changes necessary in the transport sector - clients, agents, operators, authorities and politicians. The financial crisis is a good opportunity for a rethink, so let's do it."

More competition is provided by TXLogistik Sweden, set up five years ago as part of the TXLogistik group, which is now 51% owned by Italian state-owned train operator Trenitalia. Mr Henrik Pedersen, managing director of TXLogistik Sweden, concurs with Segerfelt: "We need competition, but it is much more important to focus on transferring traffic from road to rail transport." TXLogistik's competitive advantage, he explains, is that it thinks in logistical terms. It is responsible for both traction and operations, and, being a small company, has short decision-making processes. Its Swedish operation is also making inroads into the domestic market, with three major customers accounting for a combined total of 65,000 train-km a month.

Liberalisation has also led to the establishment of smaller private operators as well, such as Hector Rail. Founded in Sweden five years ago by Mr Mats Nyblom, it focuses on providing traction, and has already achieved a significant success with its partners. Hector Rail operates 29 locomotives covering about 3.5 million train-km a year in Sweden, Norway, Denmark, and Germany, and has another five on order. Its majority owner is the Norwegian Hoegh family, which is heavily involved in shipping. "Locomotives are expensive, so we are lucky to have a strong investor, as well as the necessary competence," says Nyblom.

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Nyblom previously worked for Ikea Rail, which was not so fortunate, going out of business after only 18 months in January 2004. Ikea took advantage of the deregulated market, setting up its own rail company to carry furniture from its Swedish base in Älmhult to Duisburg, Germany, but gave up because of poor loadings and the complexity of operating internationally.

Nyblom is confident that this will not happen to Hector Rail, which has already entered the newly-deregulated Swedish passenger market. "It is very interesting for the customers to know there are alternatives," Nyblom smiles. "The state railways are very well managed, but I believe in competition, and it attracts more people to rail." **IRJ**