

Setting up a Rail Baltic business network in Finland, Estonia, Latvia, Lithuania and Poland, conducting a study on the needs of the business sector

MOVE/B1/2017-39

Fast facts about the project MOVE/B1/2017-39

Awareness

Spreading the knowledge about Rail Baltica within the business community

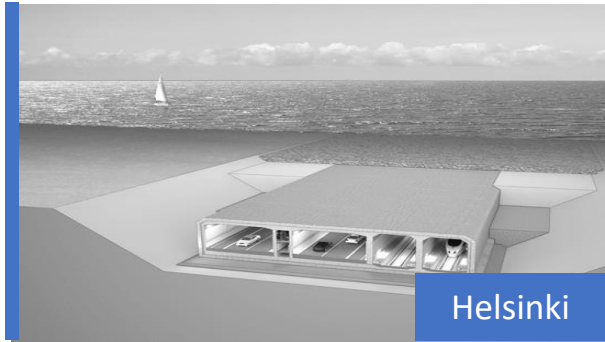
Network

Building the network of business entities interested in exploring Rail Baltica business opportunities

Expectations

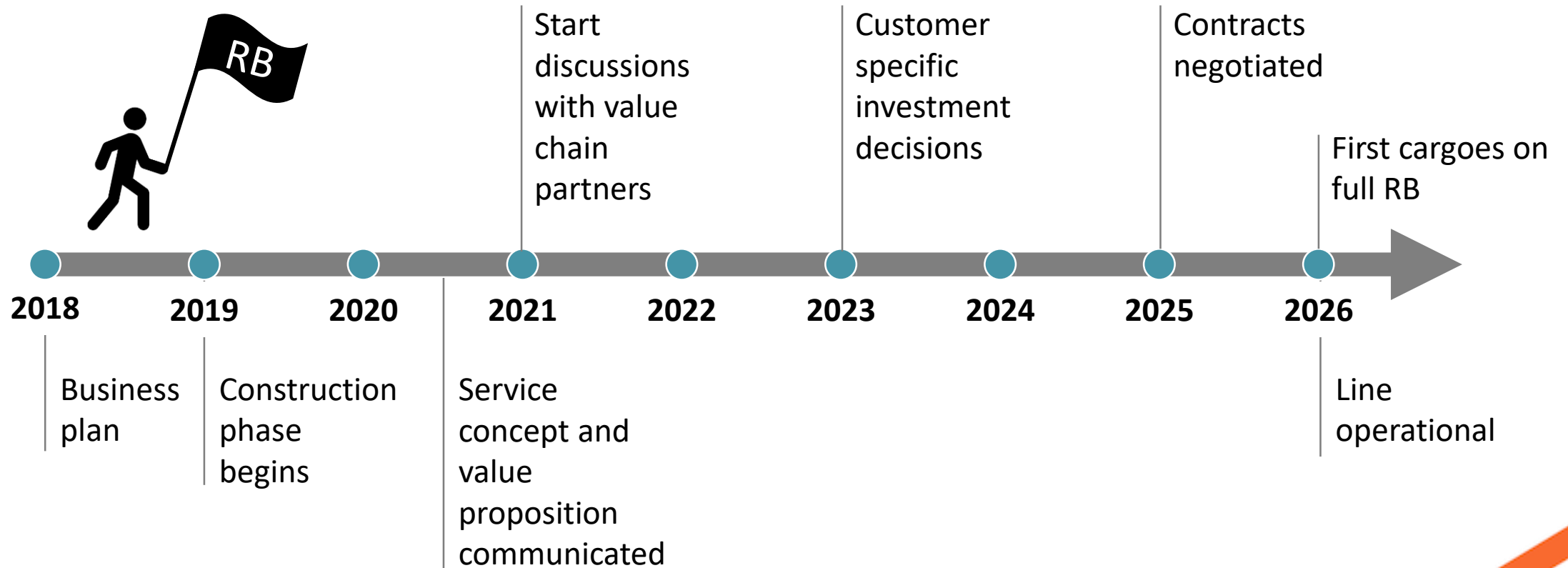
Developing the study that reflects business sector expectations towards the new rail network and its business and operational plan

Network events along the Rail Baltica route



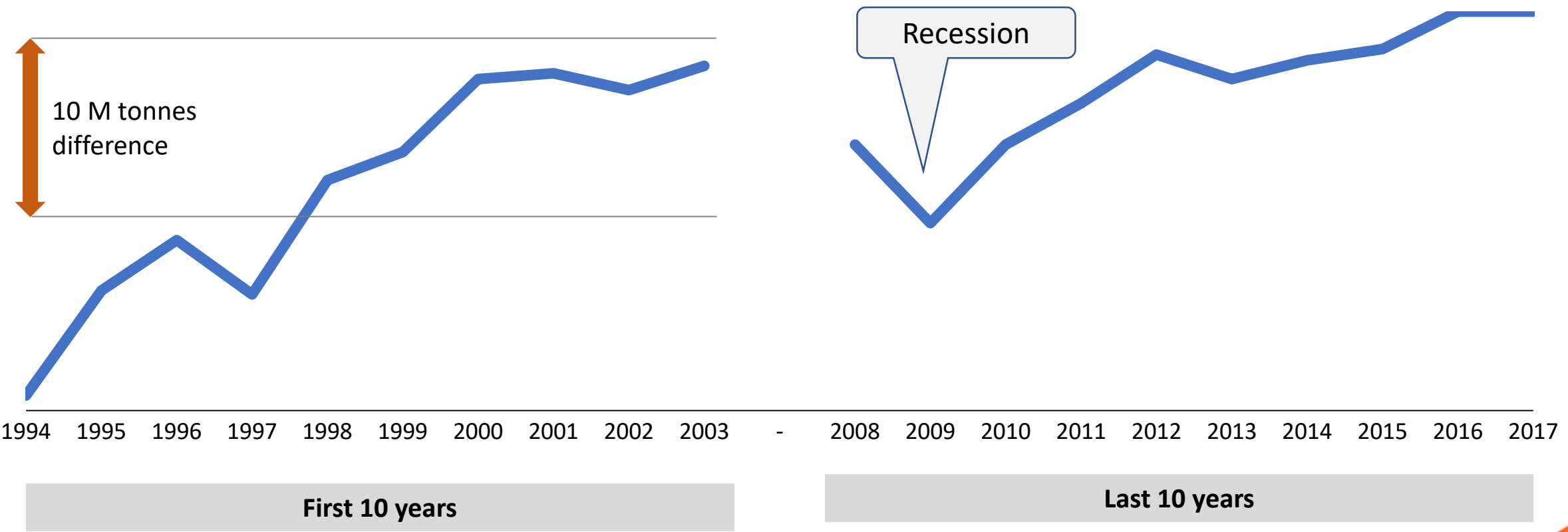
Sources: railbaltica.org; photos from RBBN events

Never too early to talk about infrastructure projects



Cargo will not flow automatically and any misalignment with the market will be expensive

Example: English channel cargo flow (million tonnes)



Sources: College of Management of Technology Lausanne, Getlink group

What's the starting point?

Road

Rail



Road is highly competitive and commercially aggressive. Quote: “we receive 10+ sales calls per week from truck companies”

For SME's little to no interest from railway operators.



Road service level relatively high: easy order and document processing, operational flexibility, and proven working relationships.

Inefficient infrastructure, charges unclear, high surcharges for additional services, costly loading, lack of the first/ last mile services, complex and inefficient documentation.



Road does not necessarily fulfil logistics needs: truck shortages during the peak seasons, traffic congestion is becoming an increasing issue.

General lack of know-how, existing experience mostly based on domestic rather than international shipments.



Cargo safety important in selecting transport mode. Road is a preferred means of transport for fragile freight types.

No major prejudice towards rail. Companies simply seek for competitively priced, reliable and quality services.



What potential direction could we take?

Attract new type of customers...

- In addition to traditional key accounts, to be successful Rail Baltica will have to attract customers that usually transport lower density and higher value goods.
- Higher product value also means lower volume freight – large shipments freeze large amounts of cash.
- These companies mostly use road as their main transport mode, they are located near major road arteries.

... who have their own needs...

- Point-to-point distribution becoming a market standard.
- Companies are increasingly interested in fully integrated solutions.
- Regular or shuttle services would attract high interest in the market.
- High value adding freight customers typically require specialised services, e.g. 24h deliveries, specialized rolling stock, or controlled thermal conditions.
- In the Baltic States, international customers sometimes define logistics choices of local manufacturers.

... and expect highest standards

- Rail prices should be similar to road.
- Rail convenience should be similar to road.
- Revised rail value prop. (targeting value adding freight) is expected to match road's offering, customers would like to reduce the hassle:
 - Avoiding or eliminating double loading impact on cost and quality
 - Integrated solutions appreciated: collection of the freight, loading/ unloading, door to door delivery in limited timeframe, shipment tracking

All in all, we observed willingness to develop business with Rail Baltica

Finland

Market participants are well aware of Rail Baltica.

Theoretically much potential (including paper and pulp).

Together with cost, businesses prioritize lead-times followed by environmental factors.

Would like to see proof of concept before committing any cargo.

Businesses need operational concept and clear value proposition to engage into constructive discussion.

Estonia, Latvia, Lithuania

Awareness is high – nearly all contacted companies have heard about Rail Baltica.

Businesses prioritize cost followed by convenience.

Businesses need operational concept and clear value proposition to engage into constructive discussion.

Poland

Awareness is limited but aspirations are high

Rail Baltica will be an important element for business development (in relevant regions)

North-Eastern Polish regions could access Klaipėda and Riga ports.

There is some fear that reloading of broad gauge trains will happen either in Lithuania or Belarus rather than Poland.

During RBBN events there was a lot of discussion how to increase competitiveness of local intermodal solutions.