# CMA CGM signs two-year rail deal with DB Schenker at Southampton

**Move to carry high cube boxes on conventional train wagons persuades French line to send more than 25,000 containers via UK port per year**

ROGER HAILEY

THE £60m ($98m) track gauge upgrade for UK south coast container hub Southampton, allowing high cube 9ft 6in maritime boxes to travel on conventional rail wagons, is already paying back on its investment.

French container line CMA CGM last week signed a two-year contract to send more than 25,000 boxes a year on DB Schenker Rail (UK) intermodal services.

German-owned DB Schenker has three trains a day, operating five times a week, which will deliver in each direction containers from the port of Southampton to inland terminals at Birmingham, Manchester Trafford Park and Wakefield.

Privately, DB Schenker is making much of the deal, emphasising that the contract marks new business secured in competition from rival operator Freightliner, the latter with an estimated 80% marketshre of container rail freight at Southampton.

It said in a statement: "The agreement is the largest UK container contract ever signed by DB Schenker Rail and reflects the position the company has gained as a major supplier to this market."

DB Schenker, still known fondly to many as EWS, says that volumes are however expected to exceed the initial level of 25,000 containers as it works jointly with CMA CGM — the world's thrid largest box line — on adding freight trains as demand dictates.

Freightliner sources indicated that it expects to maintain a "significant" level of its existing business from the French carrier, pointing out that the DB Schenker deal relates to high cube boxes that previously would have bypassed Southampton — because of track and capacity contstraints — to be feedered back to the UK.

The traffic win also refers, indicated the same sources, to modal switch traffic that will now use the upgraded rail link out of Southampton rather than going by truck, although there will be an increase in carrier haulage.

A spokesperson for CMA CGM at the Marseille head office said: "There shall be some minor migration from the West Coast Feeder (between Le Havre – Liverpool) but in the main this represents a switch of modality from truck to rail and also an increase in carrier haulage."

The spokesperson added: "This approach is entirely consistent with our environmental aims and objectives as it will allow the group to increase its use of rail on distance work.

"CMA CGM is willing to take a greater percentage of imports as carrier haulage as it will provide more opportunities for rail and 'tip-and-reload' via truck, improving overall transport efficiencies and performance through CMA CGM control.

*"The container market is the fastest growing sector of the rail freight industry"*
***Alain Thauvette, DB Schenker Rail (UK) chief executive***

"The group continues to promote Intermodal transportation, which offers its customers an efficient, cleaner and complete door-to-door service."

The rail upgrade has not been without controversy, with UK freight forwarders group Bifa asking the Office of Fair Trading to review a £3 per box surcharge imposed by port owner ABP to defray its 10% contribution to the track upgrade.

The enhancements — essentially lowering track through tunnels and under bridges — mean that high cube boxes, increasingly the norm in international maritime trade, can now reach major consumer destinations on standard wagons. In the past they had to use special low-slung rail wagons which are expensive to make, in short supply and have a high maintenance cost.

DB Schenker Rail (UK) chief executive Alain Thauvette said: "The container market is the fastest growing sector of the rail freight industry. With each intermodal freight train capable of removing up to 70 lorries from the road network, this is also good news for reducing both carbon emissions and road congestion levels." ■

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# Washington aims to revive US waterways as traffic jams worsen

ROGER HAILEY

GAS-GUZZLING road haulage may dominate freight flows within the US — it carrys 70% of all domestic loads — but Washington knows that the nation's historic waterways must regain lost ground if gridlock is to be avoided.

US freight tonnage, including exports, imports and domestic shipments, is expected to grow 73% by 2035 from 2008 levels, according to predictions by the Department of Transportation.

The US Department of Energy also reports that trucks will account for 38% of the increase in energy use by the transport sector through to 2035. But present day energy consumption by trucks is not particularly efficient.

The American Trucking Association calculates that US highway bottlenecks — making up 40% of jams — already cost the trucking industry $19bn per year in lost fuel, wages, and equipment utilisation.

Greenhouse gases from all transport sources will increase by 10%, or 195m tonnes, by 2035, of which 59% will be attributable to heavy truck emissions.

Hence the need to "revitalise" the US domestic marine system, which has 25,320 miles of navigable waterways and many thousands of additional miles on the Great Lakes Saint Lawrence Seaway System and deep sea routes.

The US marine highways move more than 1bn tons of freight a year but still only 13% of the nation's domestic ton-miles in 2007 — half the historic market share of 26% in the mid-1960s.

In a report to Congress last week, the Department of Transportation's Maritime Administration said: "It has become increasingly evident that the current system of freight transportation in the US will be hard-pressed to meet the nation's future transportation needs with regard to maintaining national economic competitiveness, environmental sustainability, public safety and emergency preparedness."

US Transportation Secretary Ray LaHood said that the report will serve as a "road map" for future development.

Since formally starting the programme last year, Mr LaHood has designated 18 Marine Highway Corridors. In addition, the Department awarded $215.3m from the Transportation Investment Generating Economic Recovery programmes — Tiger 1 and Tiger 2 — to "jumpstart or expand" marine highway projects.

The DoT has also commissioned a study of new ro-ro ship design — 9 m draught and 18-22 knots — to serve the marine highway markets and to be useful to the military as sealift. An important side product of this is that US shipbuilders will receive a much-needed jobs filip and fill a predicted 2016-2020 collapse in demand.

Greenhouse gases from all US transport sources will rise by 10%, or 195m tonnes, by 2035, of which 59% will be attributable to heavy trucks. *AP*

As the DoT report admits: "To date, the potential of America's Marine Highway to mitigate problems in the surface transportation system is not being met."

US marine transportation services moved approximately 2m teu of loaded domestic containers and trailers in 2008, of which just 11% (by weight) were moved in the "contiguous domestic trades that compete with land-based transportation modes". Part of the reason for the low market share for marine transport is that cut and thrust market forces in trucking, such as rates, reliability, frequency and speed of delivery, tend to outweigh hidden "external costs" borne by society as a whole in traffic congestion and pollution.

The US has looked to the European Union for a "good precedent" in how governments can promote short sea shipping and environmental benefits.

"EU leadership has recognized that greater reliance on waterborne transportation is an important means of reaching its goals regarding environmental sustainability and economic competitiveness," the report says. "It therefore has an active and longstanding policy of promoting short sea shipping and has invested millions of euros to promote greater use of its coastal and inland waterways."

However, Europe's industrial centres are located closer to water than in the US, while European rail freight is less efficient than its transatlantic counterpart.

"Nonetheless," said the DoT, "the strong growth of short sea shipping of containers in Europe highlights both the ability of short sea shipping to compete with land-based transportation modes and the potential benefits of government support to this mode. Marad is closely monitoring this successful European example."

According to research cited by the DoT there is potential for medium-sized, uncongested US ports to be "inexpensively modified" to handle ro-ro ships at an investment cost of $5m each. "Moreover, many ports, including smaller ports, are currently capable of handling weekly, twice-weekly, or even daily ro-ro vessel services, with ships that hold 100-150 trailers.

"The study further estimated that an investment of $50m would be sufficient to prepare Atlantic Coast ports for liner loop service, consisting of vessel calls on ports in regular sequence."

In straitened times, there is a clear economic advantage in funding marine highways rather than upgrading existing tarmac.

Marine Highway shipping along the US east coast would directly supplement its inland equivalent, the Interstate-95 highway running for 2,000 miles from Maine to Florida. It is estimated that the I-95 corridor needs $47bn a year to head off congestion, compared with just $50m for the waterborne rival.

All that being said, the strong truck and rail freight competition in the US will not be knocked back easily. As the DoT report concludes: "The expanded use of our waterways can only incrementally improve each of the challenges identified in this report.

"Moreover, there are many markets where highway and rail will remain the preferred or only choices. America's Marine Highway should, however, be viewed as a logical next step as we address our larger surface transportation and funding challenges." ■

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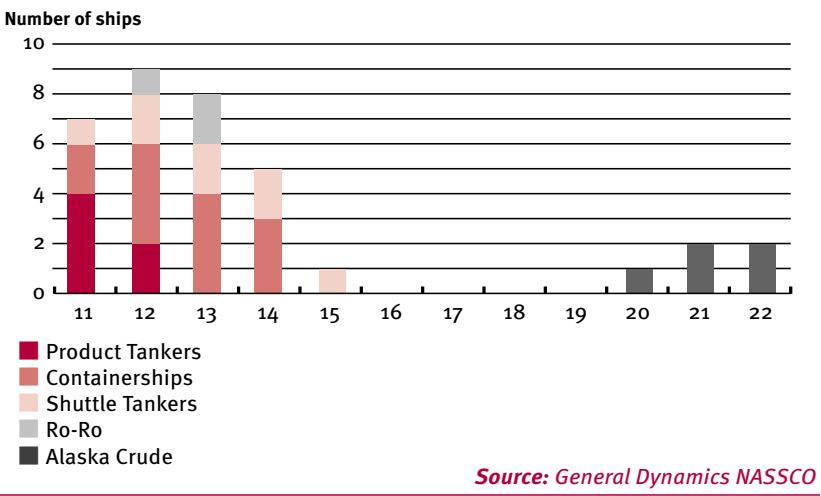
**US SHIP DELIVERIES**
2011 to 2022




***Source:** General Dynamics NASSCO*

# Japanese quake shifts choice of export hubs

EARLY data on container flows out of Japan to the US indicates that there has been a shift in exporting hub choices following the earthquake and tsunami on March 11, *writes Roger Hailey*.

Import data collated by US research house and consultancy Zepol shows that there has been a shift in Japanese box ports supplying the US, with Shimizu and Kobe seeing an increase in export container volumes to the US in the weeks following the disaster, which killed an estimated 13,000 people.

It stressed that this Japanese container export data is preliminary and based on the arrival date of import declarations to the US Customs authorities.

As the time line progresses over the coming weeks, with a 9-14 day vessel journey time for ships ex-Japan to the US West Coast, Zepol expects to provide a clearer picture on trade patterns.

For the rolling 12 months to end of February 2011, Zepol statistics — again gleaned from official declarations to US Customs authorities — show that Japanese new and used passenger car exports to the US totalled $32.6bn, while car parts and accessories totalled $8.8bn, with engine parts at $3.4bn. It is these exports, vital to Japanese trade, which will be most under the spotlight as Japan's carmakers attempt to ramp up production following the devastation wrought to industry and power supplies.

The effect of potential radiation contamination on cargo — the first ships ex-Japan are now arriving in Europe — has also to be factored in, although the initial signs seem to indicate this will not be a long term issue. ■

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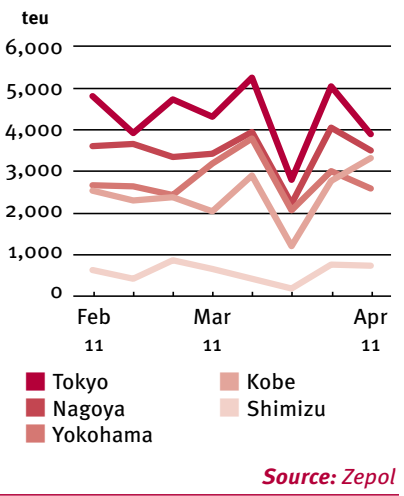
**US SHIPMENTS FROM JAPANESE PORTS**
Weekly Trend by teu, 2011




***Source:** Zepol*