Scandinavian Express

# Direction Scandinavia

## Analyses and forecast for the 2015 TFL market

In cooperation with

Scandinavian-Polish Chamber of Commerce

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# Economic co-operation between Poland and Scandinavia

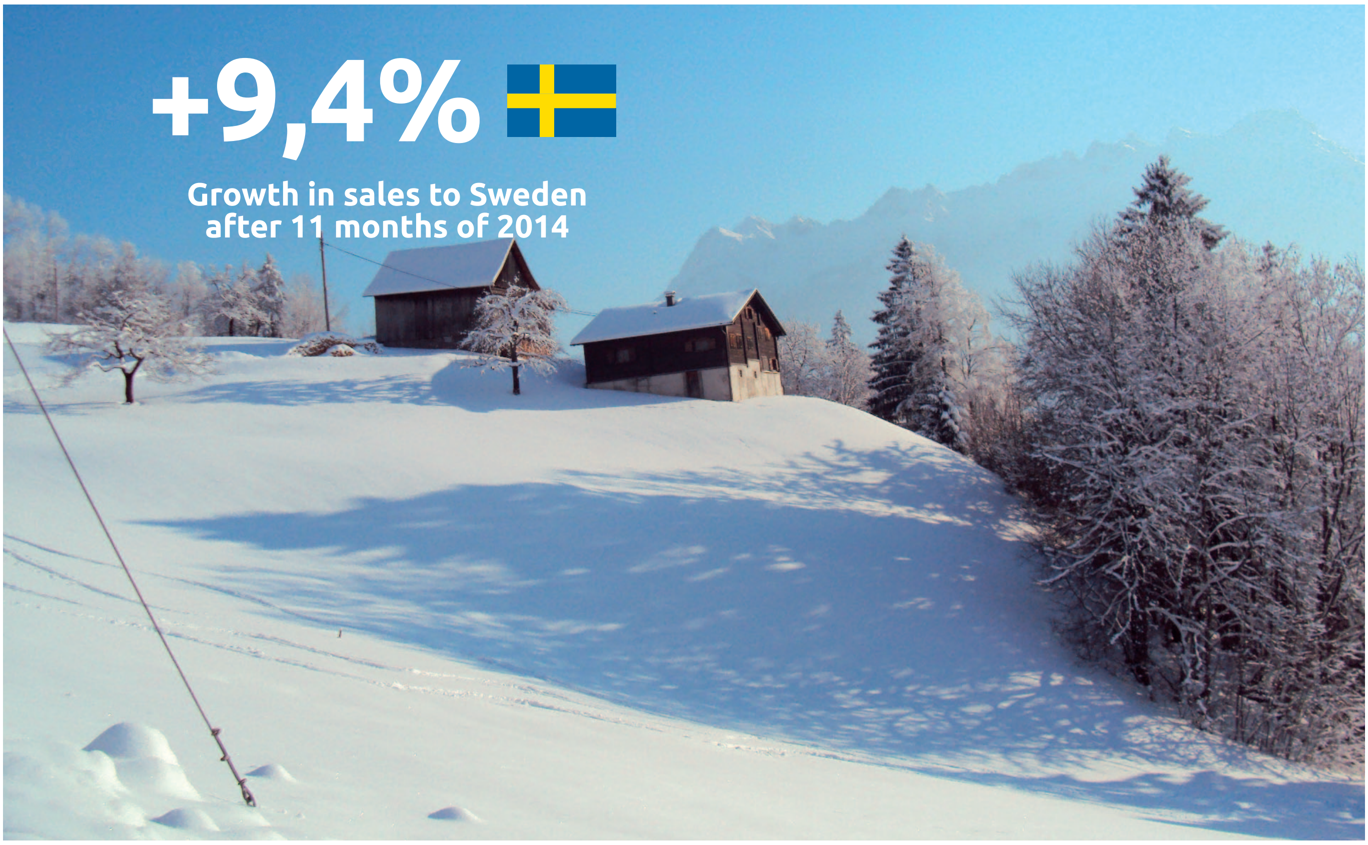
## | Current situation in foreign trade

According to preliminary results of GUS (Central Statistical Office of Poland) exports of goods after 11 months in 2014 reached nearly a total value of €150.5 billion which was 4.8% higher compared to the year before. Imports to Poland rose slightly faster i.e. by 5%, amounting to €152.2 billion. As a result, the trade deficit increased by €345 million to about €1.7 billion.

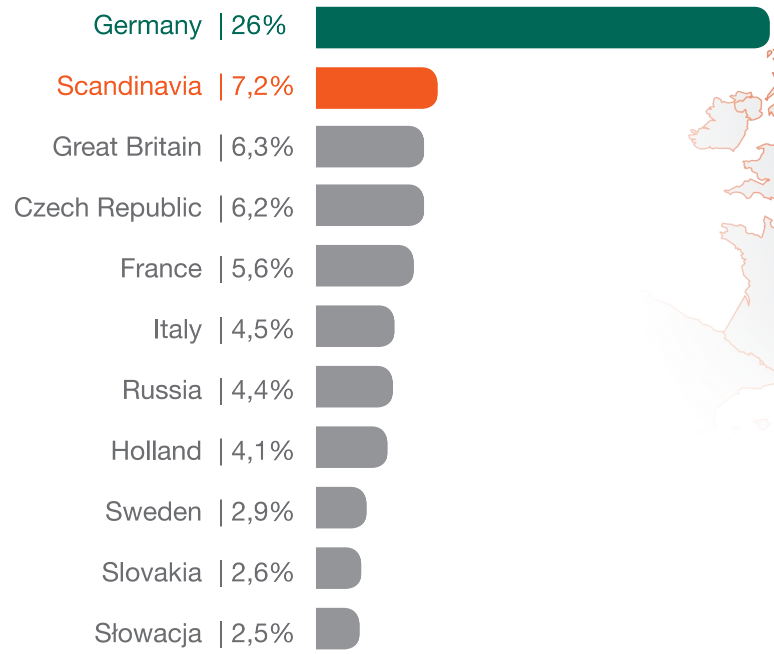
After 11 months of 2014, much better results were observed in trade with developed countries where exports rose by 7,2%. (up to €126,2 billion), and imports by 4,1% (up to €99,5billion). As a result, a trade surplus with said countries rose by nearly €4,6 billion, up to roughly €26,7 billion.

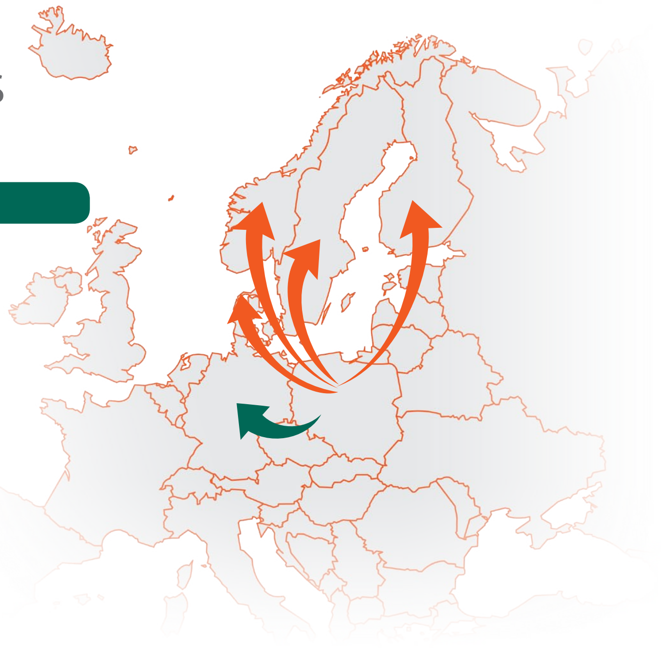
Exports to the EU rose by7,5%, reaching €116 billion. The fastest growth in sales was observed in the following EU countries: Latvia ( 25,2%), Spain (about 21,3%), Finland (16,6%), the Netherlands (9,9%) and Italy, Romania and Sweden (9,4% each). Exports to Germany, our major trading partner, also grew relatively fast (8,7%).

In the section of goods, exports of light industry products grew fastest (by 11,3%, up to €5,8 billion). Sales of articles of wood and paper grew faster than the average growth ( by 5,8%, up to €7 billion) and the sales of electrical machinery products, which dominate in the Polish foreign trade, rose  (by 5,6%, up to €59,6 billion). However, a drop in exports of mineral products such as hard and brown coal, sulphur, rock salt was noted (by 6,1%, up to €6,4 billion).

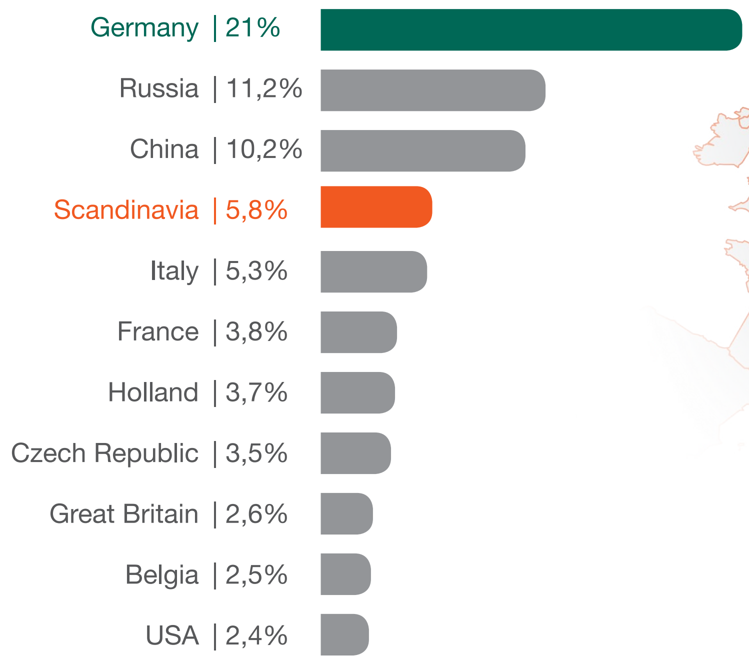


# Exports – major countries



# Major – key countries



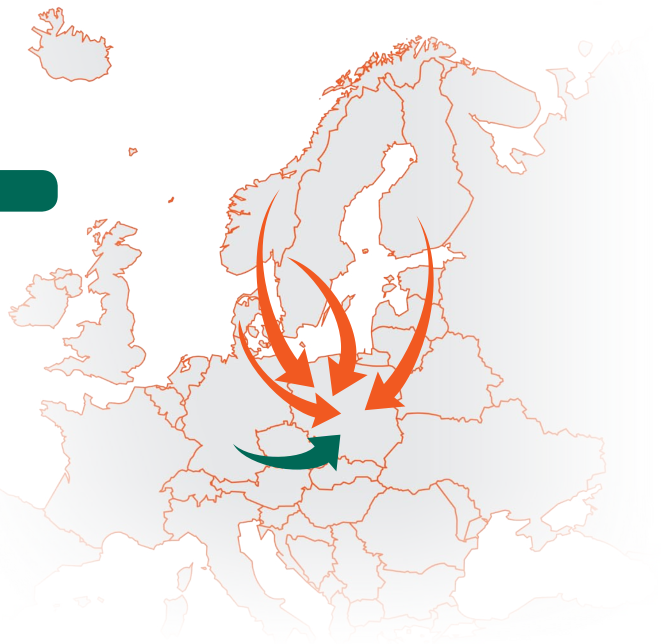



Fig. 1 Structure of foreign trade of Poland in 2013. Source: GUS

# Trade with Scandinavia

For a businessperson, it is worth examining in more detail statistical data especially from the angle of segmentation and attractiveness of potential customers market. Scandinavian countries account for 7.2% of Polish exports in total, making it second best – after Germany – trade destination.

Scandinavia comprises rich and stable economies of high production costs which entail ever-increasing demand for goods imported from Europe, including closely located Poland. Swedish or Norwegian companies are reliable business partners – they settle their liabilities in a timely manner, keep to all their commitments, and perceive Polish products as rather competitive and of high quality.

On the other hand, the Scandinavian market is very challenging and difficult due to disparate cultural and social determinants. It certainly requires considerable experience of many years to be well acquainted with the nuances of Scandinavian business. As far as business reliability and high level of specialization are concerned, it is absolutely vital that one should live up to ever-increasing demands and requirements.

Scandinavia is also a challenging region due to its geographical situation and climate. A large number of isles, fjords, and nearly impenetrable mountainous terrain are quite a normal thing to haulage service companies operating in Sweden or Norway. It is not unusual that driving in adverse weather conditions (snow, ice) temporary road closures, many strict formal requirements force non-specialized TFL companies to suspend their services provided in Scandinavia either temporarily or permanently. Or in the best scenario, to limit their services to the southern part of Sweden which has good road infrastructure (or transferring an often unaware client's freight to a local subcontractor).

Denmark is not only a peninsula, but also tens of islands which make transportation in this country quite a challenge, and also an expensive one due to ferry fees and bridge tolls.

In Finland hauliers face a sea voyage. Choosing a right sea route may be crucial in determining a delivery date. Besides, Finland is a country of large disproportions in geographical determinants between north and south, with south being a more industrialized part of the country. Another typical thing for Finland is so called 'semi-trailer traffic' where a tractor unit with a semi-trailer arrives by ferry in Finland and then the semi-trailer is detached and hooked up to another truck. This may result in problems of formal and legal nature such as a loss of control over a cargo and freight documents.

Landform features of Norway are a major challenge to TFL companies. Two thirds of Norway are mountainous and nearly impenetrable areas, with tundra in the north. Norway is marked by a large climatic diversification (huge difference between winter and summer), and long winters (they last from October till April). When planning freight shipping additional expenses must be taken into account such as road, tunnel and bridge tolls, and customs clearance (Norway is not an EU member state).

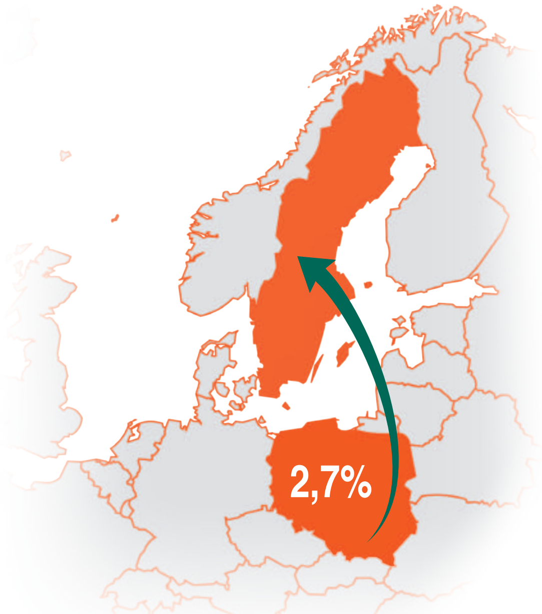
On the other hand, Sweden's maritime and road infrastructure make freight shipping the least problematic. There are 19 harbours, the largest of which are in the easily accessible coastline, and have good ferry crossings to Poland.

*We have witnessed a permanent inflow of investments from Scandinavia to Poland over the past decade. Danish, Finnish, Swedish, Norwegian, and to a lesser extent Icelandic companies decide to realise their investment plans in our country. Large corporations along with small and medium enterprises perceive Poland as a chance of business expansion and development. Scandinavian companies set very high standards for those who wish to cooperate with them. They, too, try to comply with high standards of work and quality of products and services, and still searching for innovative solutions. From the perspective of the Scandinavian-Polish Chamber of Commerce and affiliated companies we do observe both parties' increasing interest in cooperation with each other.*

**Agnieszka Kowalcze, Head of Scandinavian-Polish Chamber of Commerce (SPCC)**

# SWEDEN

## Share in Polish exports in total

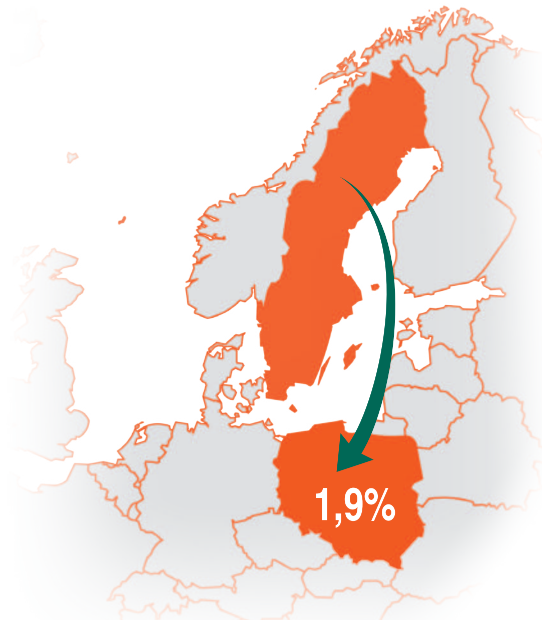



## 10 major exports commodity groups:

| | |
|---|---|
| Machinery and mechanical appliances, electrical equipment and spare parts | **27,3%** |
| Vehicles, aeroplanes, vessels and other means of transport | **12,6%** |
| Base metals and articles thereof | **9,2%** |
| Mineral products | **9%** |
| Miscellaneous manufactured articles | **8,1%** |
| Plastics and articles thereof | **5,4%** |
| Products of the chemical industry | **5,3%** |
| Foodstuffs, alcoholic beverages and soft drinks, tobacco | **5%** |
| Textiles and textile articles | **3,8%** |
| Paper, paperboard and articles thereof | **3,6%** |

**Major exports goods:** buses, television sets, petroleum oils, light goods vehicles, furniture, computers, cast iron and steel products.

## Share in Polish imports in total




## 10 major imports commodity groups:

| | |
|---|---|
| Machinery and mechanical appliances, electrical equipment and spare parts | **22,3%** |
| Base metals and articles thereof | **18,5%** |
| Vehicles, aeroplanes, vessels and other means of transport | **13%** |
| Paper, paperboard and articles thereof | **11,5%** |
| Products of the chemical industry | **9,8%** |
| Plastics and articles thereof | **6,7%** |
| Mineral products | **4,4%** |
| Live animals and animal products | **3,4%** |
| Textiles and textile articles | **2,7%** |
| Miscellaneous manufactured articles | **1,9%** |

**Major imports goods:** passenger liners, electronic integrated circuits, road tractors, copper wires, aluminum alloys, vessels for carriage of passengers, salmons.

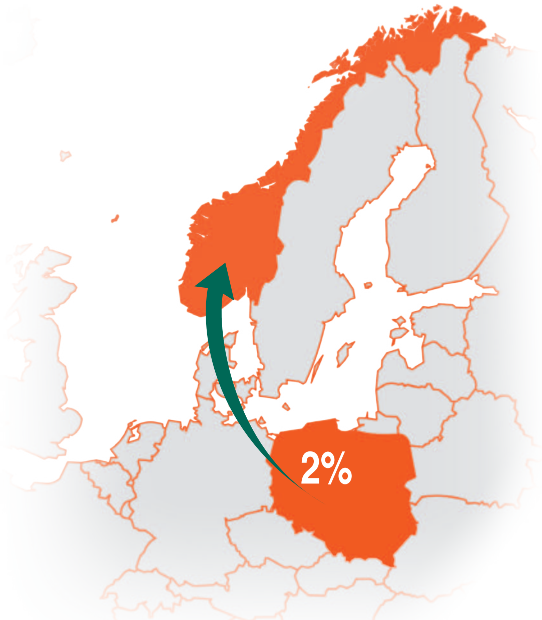
Fig. 2 Structure of foreign trade of Poland in 2013. Source: GUS

# NORWAY

## 10 major exports commodity groups:

| | |
|---|---|
| Vehicles, aeroplanes, vessels and other means of transport | **52,2%** |
| Base metals and articles thereof | **12,8%** |
| Machinery and mechanical appliances , electrical equipment and spare parts | **11,5%** |
| Miscellaneous manufactured articles | **4,4%** |
| Products of the chemical industry | **2,9%** |
| Mineral products | **2,7%** |
| Wood and articles of wood | **2,5%** |
| Plastics and articles thereof | **2%** |
| Building materials, ceramic products, glass | **1,9%** |
| Instruments and apparatus | **1,4%** |

## Share in Polish exports in total

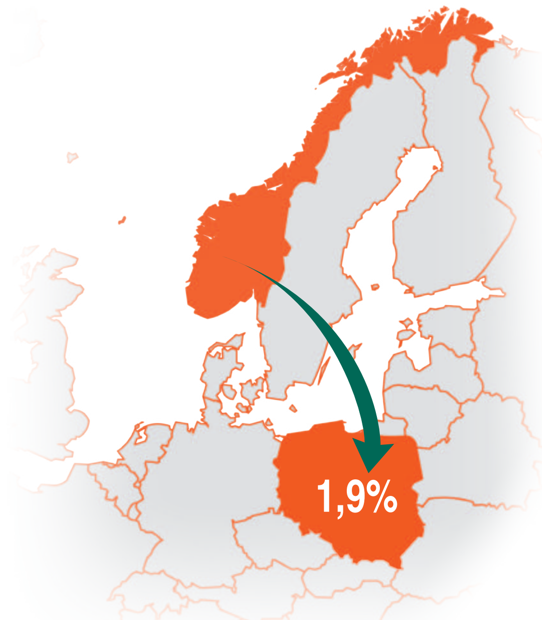



**Major exports goods:** vessels for carriage of cargo or passengers, tankers, tugboats and push-boats, cast iron structures, lifeboats, fishing vessels.

## 10 major imports commodity groups:

| | |
|---|---|
| Vehicles, aeroplanes, vessels and other means of transport | **37,2%** |
| Live animals and animal products | **21,3%** |
| Mineral products | **19,4%** |
| Base metals and articles thereof | **11,1%** |
| Machinery and mechanical appliances , electrical equipment and spare parts | **4,1%** |
| Products of the chemical industry | **2,4%** |
| Paper, paperboard and articles thereof | **1,4%** |
| Arms and ammunition | **1,2%** |
| Plastics and articles thereof | **1%** |
| Instruments and apparatus | **0,3%** |

## Share in Polish imports in total




**Major imports goods:** live pigs, pork, spare engine parts, windmills, petroleum oils, iron and steel products, toys, medicine drugs, non-woven, herrings, agricultural machinery parts.

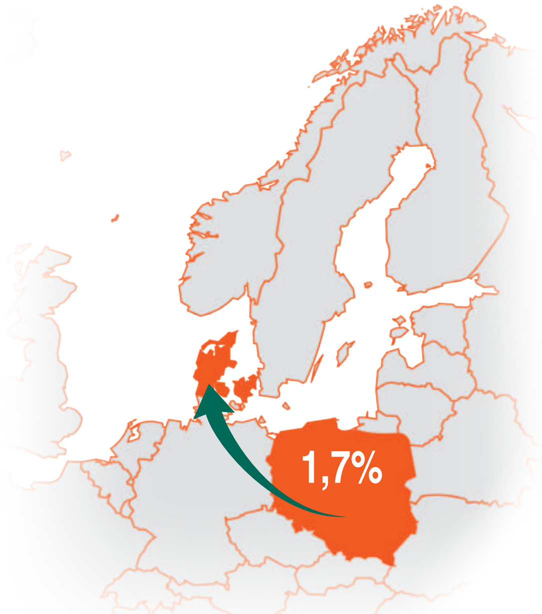
Fig.3 Structure of foreign trade of Poland in 2013. Source: GUS

# DENMARK

## 10 major exports commodity groups:

| | |
|---|---|
| Machinery and mechanical appliances , electrical equipment and spare parts | **16,8%** |
| Base metals and articles thereof | **10,9%** |
| Mineral products | **7,7%** |
| Wood and articles of wood | **7,3%** |
| Foodstuffs, alcoholic beverages and soft drinks, tobacco | **7%** |
| Vehicles, aeroplanes, vessels and other means of transport | **6,9%** |
| Products of the chemical industry | **6,6%** |
| Manufactured articles | **6,1%** |
| Plastics and articles thereof | **6,1%** |
| Live animals and animal products | **5,6%** |

## Share in Polish exports in total

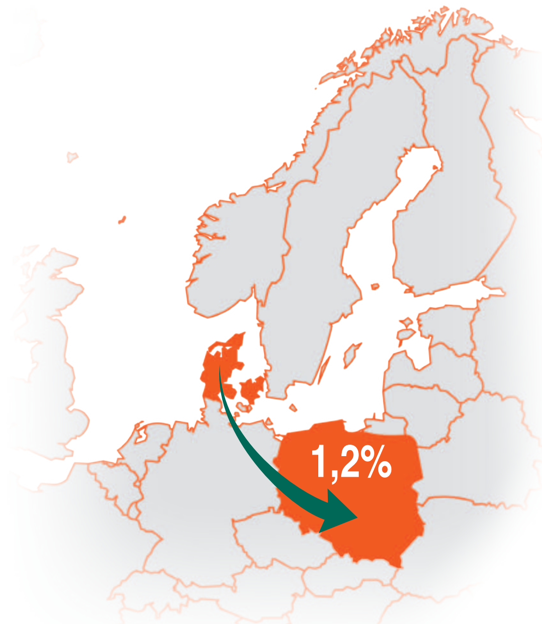



**Major exports goods:** petroleum oils, windows, cast iron and steel structures, medicine drugs, cars, plastics articles, coal, furniture, television sets and parts, copper wires.

## 10 major imports commodity groups:

| | |
|---|---|
| Live animals and animal products | **26,8%** |
| Machinery and mechanical appliances , electrical equipment and spare parts | **20,6%** |
| Base metals and articles thereof | **9,5%** |
| Products of the chemical industry | **9,1%** |
| Plastics and articles thereof | **5,2%** |
| Foodstuffs, alcoholic beverages and soft drinks, tobacco | **4,4%** |
| Textiles and textile articles | **4,3%** |
| Instruments and apparatus | **3,8%** |
| Miscellaneous manufactured articles | **3,2%** |
| Vegetable products | **2,5%** |

## Share in Polish imports in total

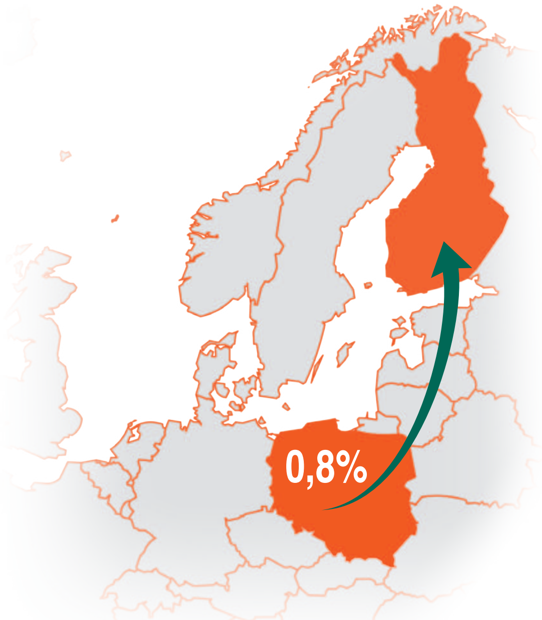



**Major imports goods:** live pigs, pork, spare engine parts, windmills, petroleum oils, iron and steel products, toys, medicine drugs, non-woven, herrings, agricultural machinery parts.

Fig.4 Structure of foreign trade of Poland in 2013. Source: GUS

# FINLAND

## Share in Polish exports in total

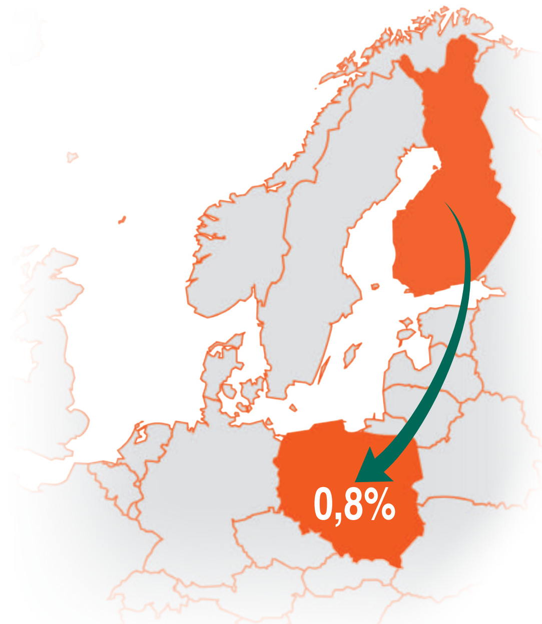



### 10 major exports commodity groups:

| | |
|---|---|
| Machinery and mechanical appliances , electrical equipment and spare parts | **24,1%** |
| Base metals and articles thereof | **15,6%** |
| Products of the chemical industry | **10,4%** |
| Vehicles, aeroplanes, vessels and other means of transport | **7,4%** |
| Mineral products | **6,9%** |
| Foodstuffs, alcoholic beverages and soft drinks, tobacco | **6,6%** |
| Plastics and articles thereof | **5,7%** |
| Textiles and textile articles | **5,7%** |
| Miscellaneous manufactured articles | **3,7%** |
| Raw hides and skins, articles thereof | **2,6%** |

**Major exports goods:** steel scrap, , medicine drugs, petroleum oils, TV receiving apparatus, structural elements, coal, cargo vessels, mink coats, coke.

## Share in Polish imports in total




### 10 major imports commodity groups:

| | |
|---|---|
| Paper, paperboard and articles thereof | |
| Base metals and articles thereof | **18,1%** |
| Machinery and mechanical appliances , electrical equipment and spare parts | **16,2%** |
| Plastics and articles thereof | **10,6%** |
| Products of the chemical industry | **9,4%** |
| Vehicles, aeroplanes, vessels and other means of transport | **2,9%** |
| Wood and articles of wood | **2,3%** |
| Foodstuffs, alcoholic beverages and soft drinks, tobacco | **2,1%** |
| Foodstuffs, alcoholic beverages and soft drinks, tobacco | **2,1%** |
| Building materials, ceramic products, glass | **1%** |

**Major imports goods:** paper and paperboard, fertilizers, cast iron and steel products, construction machinery parts, electrical appliances parts, vodka, tractors.

Fig.5 Structure of foreign trade of Poland in 2013. Source: GUS

# Transport and logistics services between Poland and Scandinavia - key events in 2014

## | Sulphur directive

In January 2015, the so called 'sulphur directive' entered into force which adjusts the EU legislation to the new regulations of International Maritime Organization. It imposes on ship owners an obligation of reducing a sulphur content from 1% to 0.1% in fuels used by ships in sulphur emission control areas (SECAs) including the Baltic Sea, the North Sea and the English Channel. Thus, imposing an obligation of using more expensive marine fuels.

### How will it affect transport and logistics services between Poland and Scandinavia?

As of today no one can exactly predict all the changes brought on by the 'sulphur directive'. One thing remains certain, though – freight costs will rise and this will affect everyone: ship owners, haulage service companies, producers, distributors and commercial end customers. **By the end of 2014, some ship owners had already announced that ferry crossing fees for freight carriers should rise by about 15%.** It does not mean, however, that no one will benefit from the new situation. The change in fuel standards is bound to strengthen powerful ship owners, who may take advantage of it and aim at monopolizing the market of ferry crossing services. Some of them informed last year of commencing to test methanol or LNG to be used as marine fuels.

**As for TFL companies, aside from price increase, the directive may stimulate them to rebuild their strategy of operations and service offer range.** As the directive raise partial costs (ferry fees), it may also lead to the accumulation of freight at harbours and direct maritime transport In such case price growth will affect only cargo deliveries and pickups to and from harbours.

TFL companies should also consider inevitable changes and fit them in when planning their new delivery scenarios and alternative routes, and when reviewing transport corridors.

It should be noted, too, that the directive will enforce even better planning of orders performance and more effective filling up of trucks. The fourth quarter of 2014 was the last moment to advice clients and customer of a change in market and costs conditions and of a necessity to revise their next year's logistics budgets.

Another challenge freight carriers will need to rise to is the unpredictability of fuel companies and their rate strategy in relation to various types of fuel so called marine fuel (low-sulphur) and road fuel (fuel oil). Until now the fuel price has been calculated proportionally to the world's oil prices per barrel. At present there is no explicit fuel price creator in this manner. And things may get even more complicated by business policy of particular fuel producers. The result being difficult relations between freight carriers and customers. Diesel adjustment has been by now a clear index. But now, it is virtually impossible to quote the source of fuel rates calculation.

First two quarters of 2015 will considerably verify the position and credibility of the TFL companies performing contracts between Scandinavia and the rest of Europe. The price factor in competing for clients may in this case affect adversely the quality of services provided.

Also, there are opinions expressed in relation to the sulphur directive and its larger consequences, not limited only to the growth in prices of sea crossings. Yet another negative effect of it may be a higher price of fuel oils inland. Demand for new types of fuel may also reorganize refineries to produce large amounts of a different type of fuel.  It is likely that this will cause price fluctuations of leading fuels e.g. fuel oil used in trucks.

# Winter tyres in Norway – new regulations

A new regulation entered into force on 1 January 2015, which obligates all carriers to equip truck's all axles with winter tyres – not just drive axles.

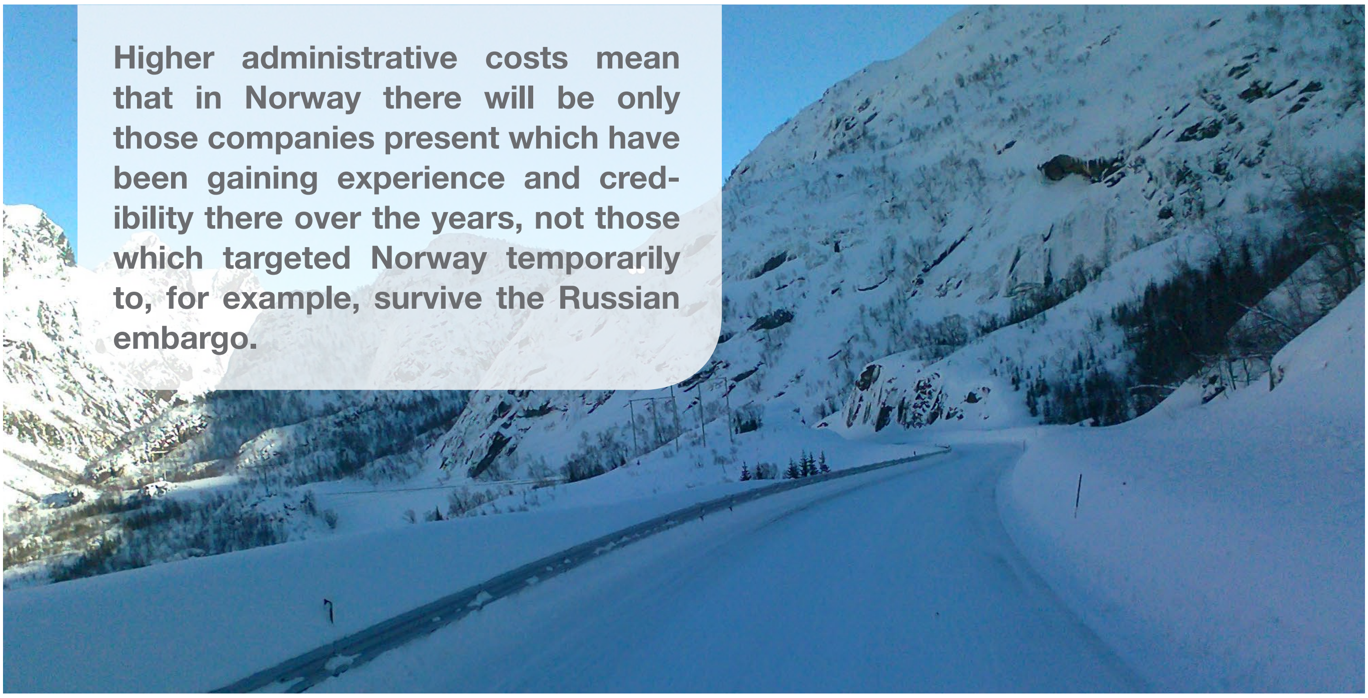
Despite the fact that the regulation applies from November 15 to March 31, the Norwegian Ministry of Transport decided that it enter into force since 1 January 2015. The penalty for inadequate tyre thread is NOK 750 per tyre. It will be also as high in case of not complying with the above regulation. In case of flagrant violation of this new rule, there will be a prohibition from driving said motor vehicle and it will be reported to the police as a crime.

## How will it affect transport and logistics services between Poland and Scandinavia?

It is no surprise for transport and forwarding companies which provide their services in Norway regularly. All the more so because the first legal developments concerning the above issue were introduced as early as November 2013. It related to all vehicles whose allowable total weight exceeds 3.5 tons. They had to be equipped with winter tyres from November 15 to March 31. Furthermore, the Norwegian legislator clearly defined the necessary tyre thread depth.

This year's regulations have only tightened the law governing the use of winter tyres in which each truck's axle must be equipped where allowable total weight exceeds 3.5 tons. It will certainly increase the safety standards of driving conditions on particularly difficult and dangerous roads – especially in the north of Norway. **Still, it is yet another administrative step raising operational costs of all transport companies present on Norwegian roads.** A number of carriers – especially from Eastern and Central Europe – will be forced to withdraw from the Norwegian market during the autumn-winter period due to the lack of financial assets to invest in additional winter tyres sets. **It becomes clear-cut from the stance of Norwegian freight carriers organizations and legislators that new regulations are to have a positive effect on the protection of internal transport market in Norway.** The new regulations will almost automatically eliminate fromthe Norwegian market those companies which cannot afford to purchase additional sets of winter tyres. **Especially, when a set of new winter tyres for a three-axle tractor costs about twenty thousand polish zloty.** One must noted that the purchasing cost of extra winter tyres will not be so much discernible for small and corporate giant carriers as in the case of medium ones whose fleet estimates between 50 to 100 trucks.

On the other hand, the new regulations will help improve the quality of services provided by carriers and lead to their further specialization as for Scandinavian destinations. Higher administrative costs mean that in Norway there will be only those companies present which have been gaining experience and credibility there over the years, not those which targeted Norway temporarily to, for example, survive the Russian embargo. Stricter regulations and intensified inspections will also affect the risk growth in time-length of transport and on-time deliveries.



**Higher administrative costs mean that in Norway there will be only those companies present which have been gaining experience and credibility there over the years, not those which targeted Norway temporarily to, for example, survive the Russian embargo.**

# Cabotage in Sweden – new regulations

Cabotage ( transport of goods between two points in the same country by a vehicle registered in another country) has been regulated in the EU states by the European Parliament's 1072/2009 resolution since 2009. Its sole purpose is to impose cabotage restrictions on EU freight carriers. To all legal intents and purposes, cabotage is allowed in two variants: cabotage in the country of the first unloading of international shipments, and cabotage in other EU member states following the unloading of international shipments. Cabotage may be performed by anyone who holds an EU licence as defined in regulations. Unfortunately, EU provisions do not relate to offences and fines for not observing cabotage regulations. This matter is governed by domestic regulations. And that means that fines and subjects to be fined will be different in each EU member state. The Swedish government is trying to make the most of it by preparing a legislatory act increasing responsibility of foreign freight carriers for breaching cabotage regulations. The act determines that the penalties for breaching cabotage rules applying in Sweden will rise as of 1 January 2015. Any breach of norms defined by the above-mentioned EU regulation will be sanctioned with a fine of up to €4,400. What is more, there will be more pressure on the way and frequency of inspections to be carried out. Inspections are to be unexpected and carried out at random, also beyond official points of inspection. Since 1 March 2015, Swedish police will be entitled to detain a driver's car keys and apply wheel clamps if a fine is not paid up or when a vehicle is not road worthy. Criminal liability is also changing. Pursuant to new regulations a driver breaching cabotage regulations and their employer will be financially jointly responsible.


**How will it affect transport and logistics services between Poland and Scandinavia?**

**It should be noted, too, that Scandinavian countries have been battling the cabotage issue ever since; the problem that has been weakening considerably their domestic market of transport and forwarding services. Swedish and Norwegian companies accuse overseas carriers of not complying with the EU cabotage restrictions.** In summer of 2013, scientists from the Univeristy of Lund did research on cabotage in Sweden. More than 163,000 observations confirmed that 2,700 foreign registered trucks never left Sweden, and further 2,202 were suspected of illegal cabotage.

The recent protest of Swedish drivers has filled a cup of bitterness to the brim. They announced that they would stop their trucks at the side of the road twice a day everyday since November 24 to December 24. Thus, they wish to draw the media and public opinion's attention to the urgent problem. It proved successful. As it was leaked to the media that the Swedish government had prepared a bill increasing overseas carrier's liability for breaching cabotage regulations. It must be pointed out, however, that any foreign carrier holding all the required freight papers and observing proper cabotage periods do not need to lose any sleep. Here, in Sweden to perform orders efficiently one must have a detailed knowledge of current legal provisions, and plan and supervise effectively movements of their fleet – in order to observe exactly determined amounts and dates of cabotage transport in a giving territory.

# Russian embargo and German minimum pay act

In August 2014, the Russian federation placed an embargo on imports of fruit, vegetables, meat, poultry, fish, milk and dairy products from the USA, the European Union, Australia, Canada and Norway. The embargo, which is supposed to last for a year, was Russia's response in retaliation to the sanctions imposed earlier on the country by the USA and EU due to Russia starting a military conflict against Ukraine.

The ban on fruit and vegetables sales to Russia has unsettled the Polish fruit and vegetables business. Poland, after Holland, is the second EU exporter of fruit and vegetables to Russia. In 2013, Poland exported nearly €43,000 worth of fresh tomatoes to Russia itself, and €23,000 worth of cabbage, cauliflower and kohlrabi.

Vegatables are only a part of the Polish fruit and vegetables business. Poland is a world's power in exports of apples, and that may slump in the face of the Russian embargo. Polish apples exports to Russia only estimated at 677,000 tons of €256 millions worth last year. And that accounts for 56% of the whole apple exports. And this was stopped unexpectedly in the third quarter of 2014.


Russian sanctions affected seriously not only food producers but also transport companies. It is mainly Polish, Lithuanian, Estonian, Slovak, Czech and Bulgarian carriers that specialize in shipments to Russia. And Poland is an undisputed leader among those. According to the data provided by the Association of International Road Carriers in Poland there are over 3.5 thousand Polish transport companies operating in the Eastern Europe which use over 30 thousand vehicles. Polish carriers perform about 270,000 truck rides to the Russia Federation per year. It is estimated that in total it is at least €700 million worth.

It is no wonder then that the media informed rather fast of bankruptcy cases among many of the transport companies. For many companies shipments to Russia dropped by over 30% nearly day by day. Other destinations witnessed, in turn, prices going down because the carriers which could not deliver anymore to the east lowered them to gain other contracts. New business partners and delivery destinations began to be sought in no time.

**Since the beginning of 2015 there is a minimum pay act in force in the territory of the German Federal Republic (MiLoG – Mindeslohngesetz). Pursuant to the act , all those employed in Germany are entitled to a minimum pay (€8.5 gross per hour). Very soon it turned out that the act has become a major problem to Polish carriers because they have to pay the German minimum pay to their drivers as well. The act concerns the companies not only registered in Poland and performing cabotage services but also those whose drivers merely drive through Germany on their way to, for example, Spain.**

**Additionally, carriers are obliged to file a list of drivers and a declaration of appropriate rates being paid with a proper office. And if German clerks decide to examine factual circumstances such as employment contracts or remuneration terms, then, a Polish company will have to produce said documents made out in the German language. If an error or mistake has been made, the company will be liable to pay a fine of up to €30,000. If it has been proved that a driver's wage was lower than €8.5 per hour , the employer will face a penalty of €500,000.**

## How will it affect transport and logistics services between Poland and Scandinavia?

The end of 2014 and the beginning of 2015 saw no improvement in relations between Russia and the European Union. Political scientists claim that these are the worst relations for the past 20 years and there is no indication that they will improve over the next few weeks or months.

There is a chance of the embargo being lifted all of a sudden if Russia's internal market is not strong enough to meet consumers' nutritional needs, and the imports of foodstuffs from China is not sufficient.

**As for the German minimum pay act, following a number of reservations made by Polish authori-**

**ties, it has been temporarily suspended. And European Commission has started proceedings to clarify any points of dispute concerning the act. In spite of this, the German legislator made it clear that the minimum pay of €8.50 per hour will apply to all drivers whose trucks are loaded and unloaded in Germany.**

While waiting for the embargo being lifted and settlement of all controversies in connection to the German minimum pay act, many freight carriers will seek business partners in other markets. Scandinavia is bound to become one of such markets which especially during the spring-summer periods may appear a popular alternative for those companies which were forced to withdraw from the east. One of the reasons may be ever increasing volume of well-paid LCL freights. However, there seems to be another, apart from long winters, barrier preventing one to enter the Scandinavian market. 'LCL freight to Scandinavia' require perfect operations organization, including a sea route, which will allow meeting requirements of the production branches in respect to timeliness of deliveries. It is especially true in the case of automotive industry where transport precision is a decisive element in cooperation with a carrier. A carrier's system capabilities of integration processes with a customer must be taken into account here as well as their readiness to report cooperation rates based on the model adopted in the customer's branch. Carriers must realize that redirection from the east to Scandinavia is not going to be an easy and fast one. Nevertheless, many will try and as a result there is bound to be the increased competitiveness in the TFL market. At first, this will translate into lower prices and general deterioration in the quality of services. In the long term the market will organize itself and eliminate those who are unprepared for the specificity of Scandinavian destination.

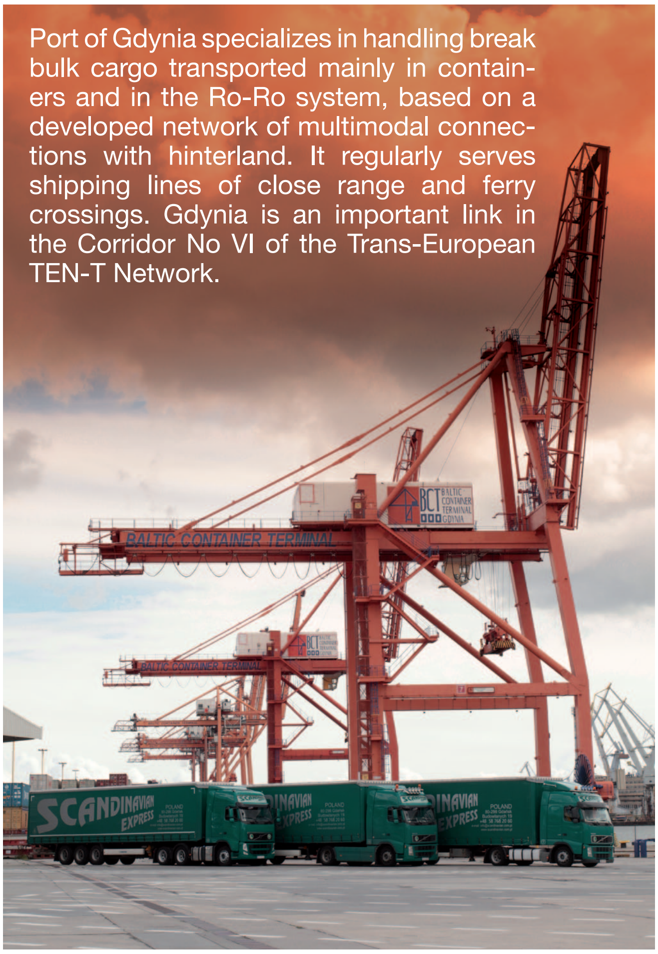
**The end of 2014 and the beginning of 2015 saw no improvement in relations between Russia and the European Union. Political scientists claim that these are the worst relations for the past 20 years and there is no indication that they will improve over the next few weeks or months.**

# Fast growth of Polish seaports

Economic and business media report every now and then on successes and next cargo handling records of Polish seaports. Gdynia Container Terminal handled 357.1 thousand standard 20" containers within the first three quarters. It is GCT's own record and a nearly 23% growth in comparison to the same period the year before. It is no wonder that the building work has already started on the construction of an intermodal car train terminal in the Gdynia harbour. This investment will increase even more the competitiveness of the Gdynia Terminal.

It is common knowledge that sea waterways, inland waterways and land routes in connection with land communication infrastructure create vast opportunities for the whole country's development. In Poland, there are three large port complexes: Gdynia, Gdańsk and Szczecin - Świnoujście.

Port of Gdańsk is a key link in the Trans-European Corridor No VI linking Scandinavia with East and South Europe ( the Baltic Sea – the Adriatic Sea). There are a container terminal, a ferry terminal, Ro-Ro terminal, pas-




senger car terminal, and terminals for citrus fruits, liquefied and granulated sulphur, and phosphates. There are also universal quays available for handling break bulk cargo and bulk cargo. One of the port's strategic target is to expand functions of the Baltic container hub and became a distribution centre for fuels and dry bulk cargo.

Port of Gdynia, in turn, specializes in handling break bulk cargo transported mainly in containers and in the Ro-Ro system, based on a developed network of multimodal connections with hinterland. It regularly serves shipping lines of close range and ferry crossings. Gdynia is an important link in the Corridor No VI of the Trans-European TEN-T Network.

Ports in Szczecin and Świnoujście are the largest centre in Poland to handle dry bulk cargo. Major cargo types transshipped and stored include coal, iron ore, salt, coke, concentrates, fertilizers, scrap metal, raw materials for the construction industry, liquid pitch, tar, oils, molasses, or petroleum products. Cargo handling provided by highly specialized terminals accounts for nearly 50% Polish coal exports and 100% imports of iron ore.

Both ports have the potential for servicing and storing different types of liquid cargo – oil products, methanol, ethanol, vegetable oils, fertilizers, tar and pitch and mastic asphalt. In total, over 200,000 tons of these commodities are handled per year. It accounts for 6% of cargo handling of commodities from the 'miscellaneous bulk' group, and at the same time 1% of total cargo handling in both ports.

**How will it affect transport and logistics services between Poland and Scandinavia?**

Infrastructure modernization and development has strengthened the role of Polish seaports and increased their significance in the international transport network. After years of stagnation Polish ports have started to use their strong points like their location in international transport corridors, the above-mentioned Baltic-Adriatic corridor in particular.

Their dynamic development has also a positive effect on close range ship transport, for example to Scandinavia. Because it helps ship owners operating in the Baltic sea to make their offer richer and more competitive. Trade exchange between the North and South may expand even better and faster along with the development of port access infrastructure and expansion of links between port and domestic infrastructure and European transport network. **It allows access to maritime transport services to Poland's neighbouring countries – the Czech Republic, Slovakia, Hungary, Austria – which are not situated by the sea but have a potential for economic cooperation with Scandinavia.**

Unfortunately, the lack of motorway networks enabling fast connection between the north and south of Poland is a main factor which immediately hampers trade exchange with our neighbours in the south. This situation benefits port of Hamburg which thanks to the well developed road infrastructure is more competitive than Polish ports.

Polish expressway and motorway construction plans for the period of 2014 – 2023 are not too optimistic for the A1 motorway. In November 2014, Ministry of Infrastructure and Development published its latest plans from which it is evident that the key artery of the EU road network between the Baltic Sea and the Adriatic Sea will not be finished by 2023. By the end of the decade, there may still be missing nearly 100 kilometres of the A1 between Częstochowa and Tuszyn off Łódź. Yet, the S6 expressway linking Szczecin and Gdynia which may only facilitate the transport to bypass ports in Gdańsk and Gdynia, and the S3 expressway (a western alternative to the A1) are to be completed.

## Transport corridors

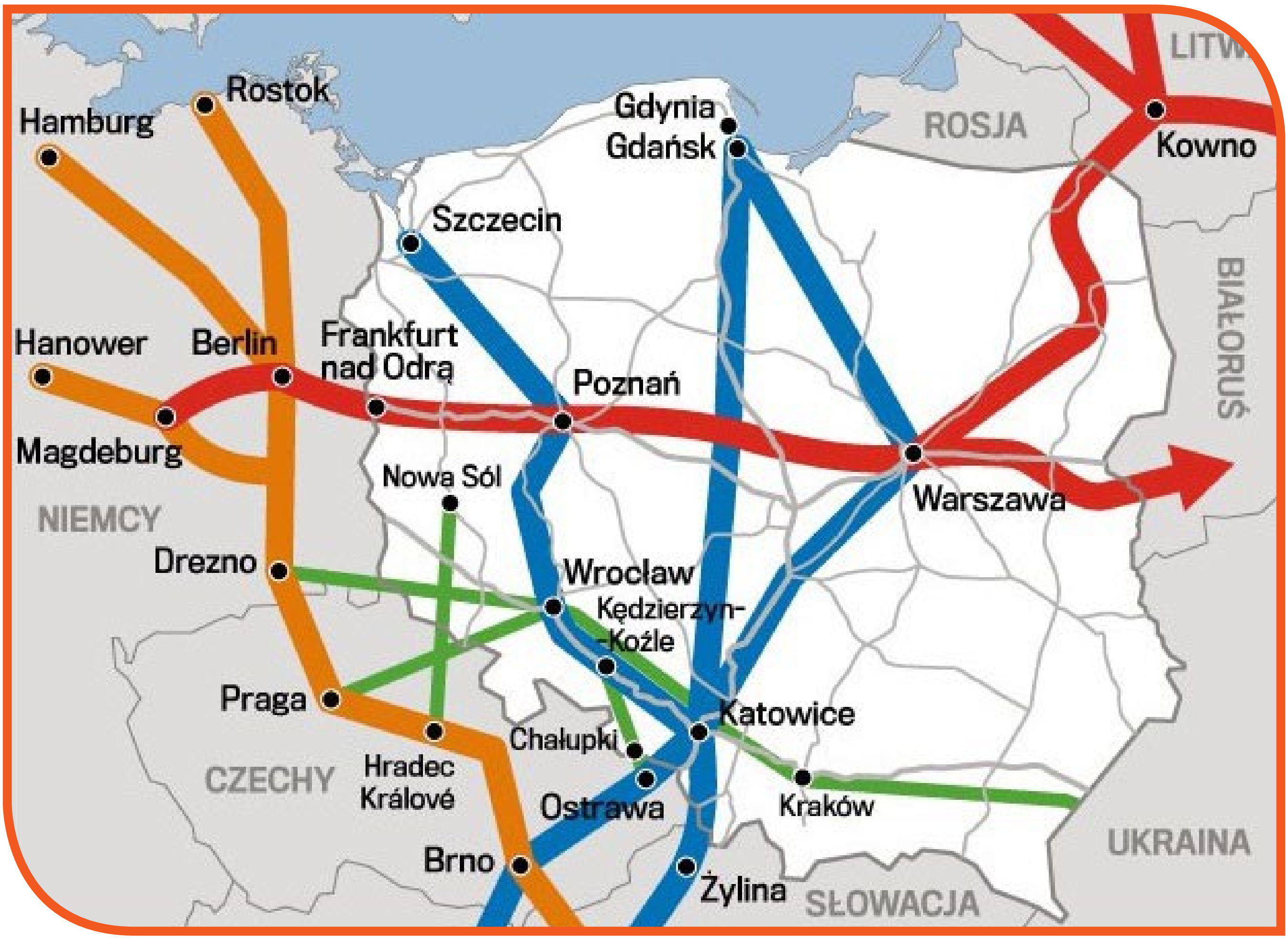



Fig. 6 Transport corridors. Source: European Commission.

**It is common knowledge that sea waterways, inland waterways and land routes in connection with land communication infrastructure create vast opportunities for the whole country's development. In Poland, there are three large port complexes: Gdynia, Gdańsk and Szczecin - Świnoujście.**

# Forecast for 2015

Transport and freight forwarding are a peculiar economic barometer, which reacts immediately to each macrofactor – similarly to blood circulation it mirrors general economic tendencies.

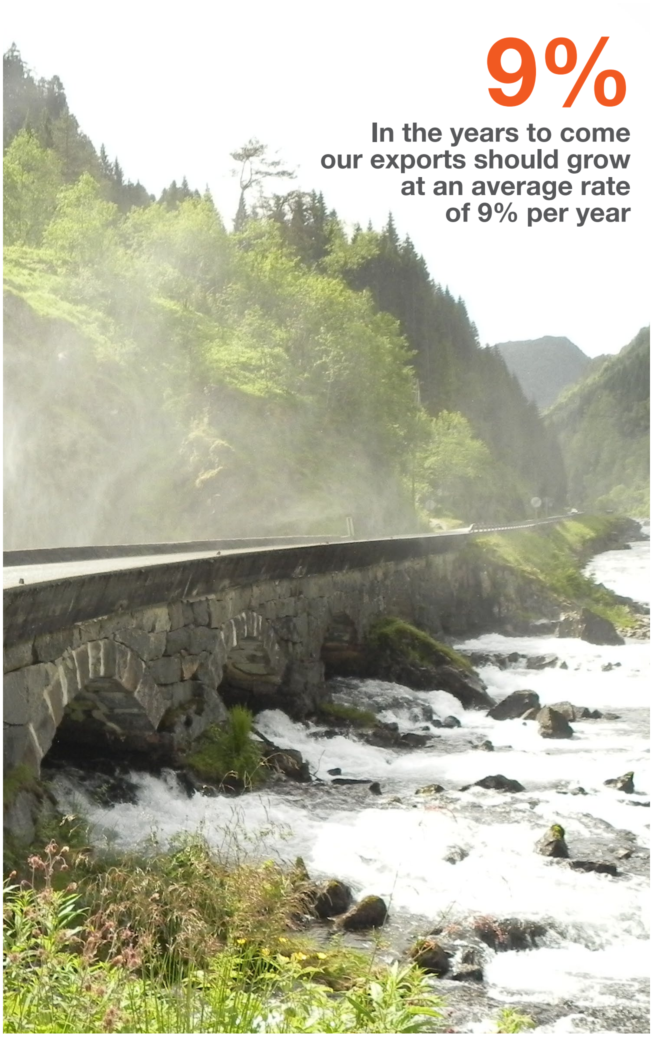
According to the GUS data all means of transport shipped in 2013 1,848.3 million tons of cargo, that is by 3.3% more than year before. Transport performance amounted to 347.9 billion ton km by 6.8% more than in 2012. Growth in cargo shipment was noted in road transport, rail transport and in inland water transport.

**The TFL market, according to some data, analyses and forecasts, is expected to grow dynamically over the next 12 months, despite the Russian embargo turbulence.** Proof of which can be found in positive forecasts for the Polish economy. The World Bank predicts that the Polish GDP will rise by 3.2% over the next 12 months, and the exports dynamics will reach 5 – 6 per cent. Inflation rate, in turn, will not exceed 1.1% in 2015 according to National Bank of Poland. Employment rate is also forecast to grow, especially in sectors like industrial production, trade and TFL. Although the GUS data on industrial production indicate its constant growth, the latest forecast found in the 'Instruments of Quick Reaction' report may be the only dissonance. According to the report, the dynamics growth in industrial production will reach its peak very soon and the second quarter of 2015 may even see a slump in industry.

Fortunately for the TFL market, there are optimistic forecasts regarding Polish exports. **According to British analysts of Oxford Economics research company and HSBC bank exports of Poland has the brightest future among European countries. Within next four years our exports should grow at an average rate of 9% per year.** In Europe we have outdistanced Great Britain, among others, whose growth in exports is forecast to reach just under 5%. Outside Europe Poland has left behind such economic superpowers as Japan (8%), Australia (6,8%), the United Arab Emirates (6,8%) or Hong Kong (7,4%). We are outstripped by only so called 'exports machines' like Vietnam, India, South Korea and Turkey where an average growth rate will be at nearly 10-11% per year.

In Poland, the machinery and electromechanical industry will develop dynamically in particular. According to the Oxford Economics analysts this branch, particularly automotive industry, has the largest developing potential. It should account for nearly 40% of the forecast Polish exports growth. It must be pointed out that it is components and spare parts, and not finished cars, which account for the main value of exports. For TFL companies this is a crucial area because any late deliveries may result in idle wait and huge losses for manufacturers. Therefore logistics operators bear immense responsibility of ensuring complete and timely deliveries within well-defined time-frames or sequences. The forecast growth for other branches: processing industry – wood, paper, metal, rubber, and plastics articles,furniture, textiles, clothes (22%), beverages (11%) food production (5%).

According to a long term perspective (2013 – 2030) regarding destinations of Polish exports, EU countries (Germany, Scandinavia, Great Britain, the Czech Republic, France) will still remain our potential customers market. There will be, however, a noticeable growth in significance of Asian markets (China and Turkey).




Relatively cheap labour, favourable geographical location (close to European market), very strong manufacturing base and economic binds with Germany (indirect exports to Asia through Germany) are among the reasons for the forecast of high dynamics in Polish exports.

**And what about the Polish exports forecast to Scandinavia? It also looks optimistic.**

In 2014, Sweden had the largest share in Polish exports in total – 2.7%. In 2015 r. it should grow to 2.9%, and exceed 3% in years to come. Denmark comes second among Scandinavian countries. Its share in Polish exports will be at 1.7% in 2015. The third Norway's result is 0.9%.

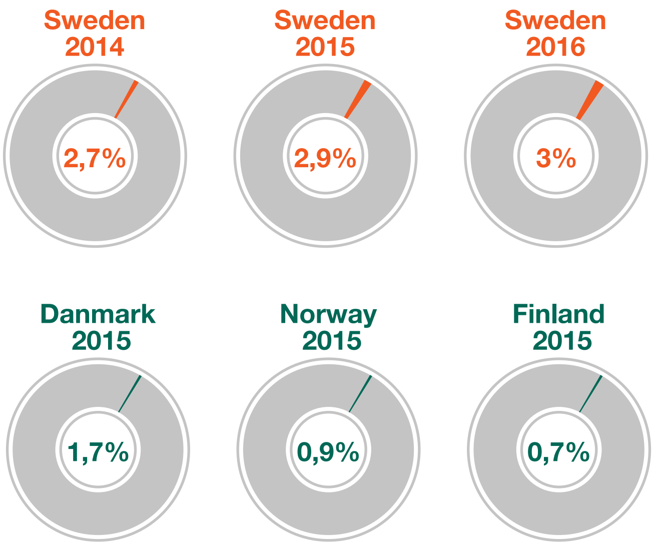
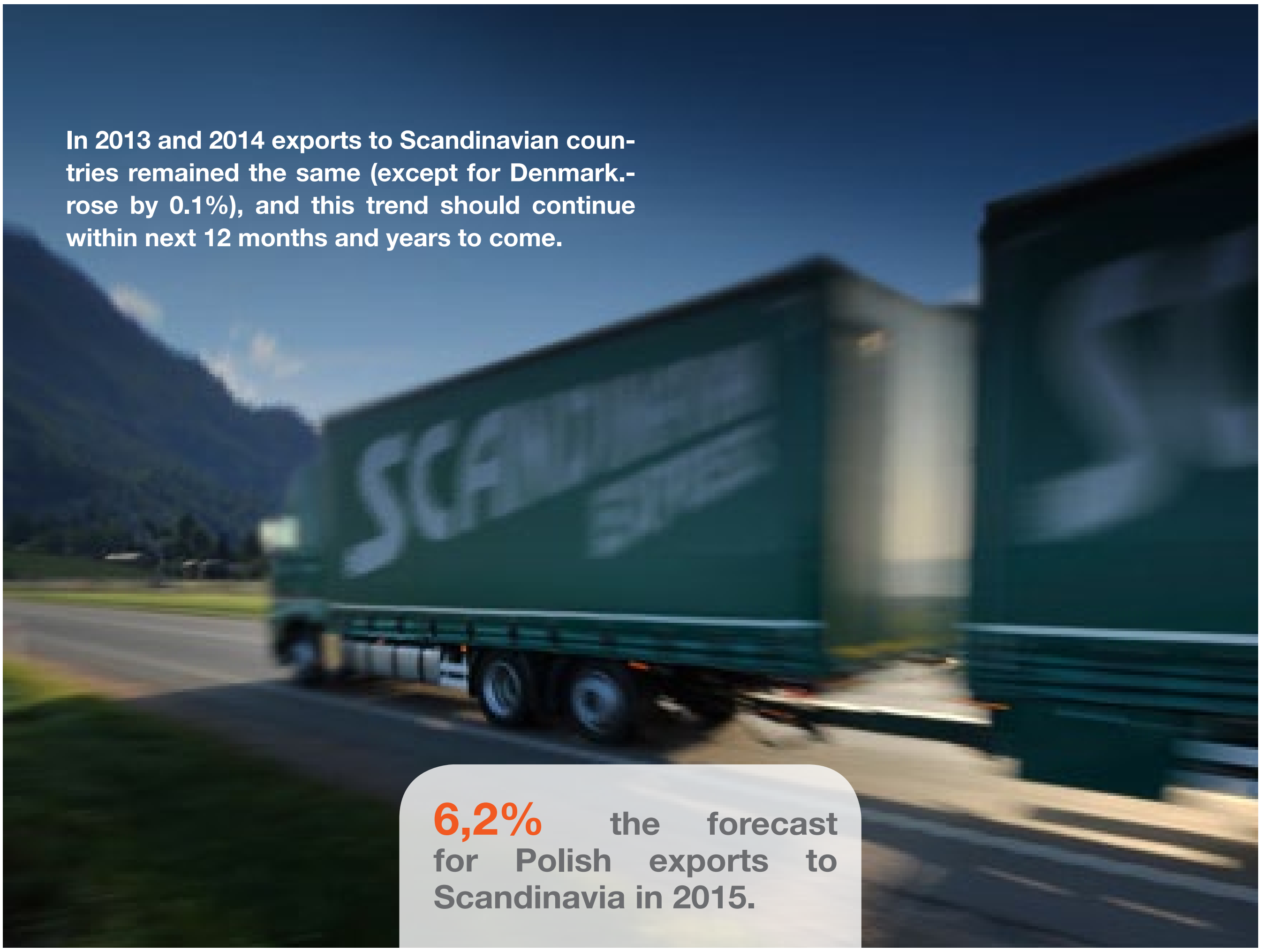



Fig.7 Forecasts Polish exports. Source: GUS

Finland brings up the rear with a predictable share in exports at 0.7%. Experts do not predict further growth in years to come, rather stabilization and maintaining levels reached - no drops.

According to GUS the value of trade exchange between Poland and Scandinavia grows from year to year. Trade turnover between Poland and Sweden rose by 11% in the first quarter of 2014 as compared to the same period of 2013. Whereas trade turnover with Finland rose by staggering 30% in the corresponding period. The slowest growth has been observed in the case of Denmark with 2-3% over the past two years. As for Norway, GUS provided data for the three quarters of 2014. Lower trade turnover rates have been observed which dropped by 20.7% - Polish exports to Norway decreased by 11.0%, and imports by 31,5%



# More Polish companies operating in Scandinavia

approx. **71 thousand** Polish emigrants.

approx. **40 thousand** Polish emigrants.

Fig.8. Polish immigrants in Sweden and Norway. Source: GUS

A higher rate of Polish emigration to the fjord countries is among the reasons for the optimistic forecast regarding Polish exports to Scandinavia and an increasing value of trade exchange. According to GUS data, 40 thousand Polish emigrants lived in Sweden at the end of 2013. Based on the data from the previous years (38 thousand. In 2012, 36 in 2011, 35 in 2010) it is evident the the figure systematically grows. Then, in Norway in 2013 one could meet 71 thousand Polish emigrants. In a comparable manner to Sweden, a number of emigrants rose systematically every year (65 thousand in 2012, 56 in 2011, 46 in 2010) Poles constitute in Norway the largest ethnic minority.

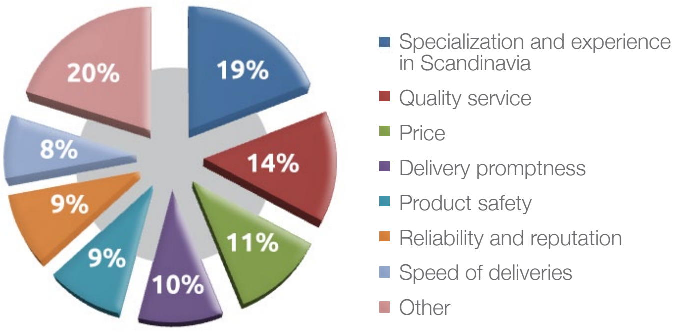
**Such a large number of Polish emigrants translates into a dynamically rising number of Polish companies being present in Scandinavia, particularly in Sweden and Norway.** According to indicative values of consulting firms – Norwegian Registry of Business Entities does not have statistics on nationalities of business founders – it turns out that in Norway alone there are several thousands of Polish enterprises and associated companies whose head office is situated in Poland.

**Polish enterprise still quickening its pace in Scandinavia should already be a signal to the TFL branch to review the services they offer. It may mean that there will be a higher demand for courier or LCL services to Scandinavia in following months.** The demand may concern all sorts of food products, building materials or furniture in particular. These companies which will be first to reorganize their offers and meet the requirements of the Polish emigrants, may fill very quickly a completely new niche of the TFL market in Scandinavia.

It is worth mentioning that the Scandinavian clients are changing the way they perceive Polish entrepreneurs. Polish companies have been seen for several years now as reliable and trustworthy partners in their respective lines of business. This has been achieved due to business cooperation of many years.

# What will matter in the transport and logistics services in 2015

As Scandinavian Express research on clients' satisfaction shows, what helps counterparties doing business between Poland and Scandinavia decide which forwarding company to choose are the following key elements:




Rys. 9. Czynniki decydujące o wyborze firmy TSL.
Źródło: Badanie Satysfakcji Klienta Scandinavian Express, styczeń 2015.

Almost each of these elements is a client's individual question dependant on a type of business they do. However, there is little doubt that such factors as delivery promptness and speed, competitive prices and service quality are universal and priority to each counterpart. They are the most decisive as to which logistics operator should be chosen to cooperate with.

The information and data analysis shows that specialization and experience of companies will matter most in 2015 when it comes to serving Scandinavian destinations. This conclusion is directly related to new legal provisions (the sulphur directive, requirements regarding winter tyres in Norway, new regulations of cabotage in Sweden) which force freight carriers to make new investments and comply fully with the law. It will definitely affect the price rates of services offered (the directive, winter tyres in Norway) and time needed to cover deliveries (full compliance with cabotage regulations in Sweden). These elements should be taken into account when choosing a freight carrier to serve the Europe – Scandinavia destination, especially in the first quarter of 2015.

**New regulations will be much easier implemented by those TFL companies which have been present on the Scandinavian market for years.**

If truth be told, 2015 can be a difficult year for those carriers who have just decided to target Scandinavian market. If they have not made special arrangement beforehand, and will need to, all of a sudden, adapt themselves to new regulations and clients' expectations, a low price rate itself may not be sufficient as far as competition with more experienced operators is concerned. It may be even more difficult in the face of necessary investments to be made. On the other hand, those operators who will decide to make the necessary investments (winter tyres), should think twice whether it will be profitable for them to keep an upgraded fleet of trucks without it being narrowly specialized. Winter tyres used for example in Western Europe where atmospheric conditions are more favourable than in Norway may simply turn out uneconomical.

New regulations will be much easier implemented by those TFL companies which have been present on the Scandinavian market for years. They usually keep track of legislative actions of these countries and can get prepared for implementation of new provisions well in advance, even advising their customers of it. Besides, additional expenditures, for example on more winter tyres sets, may be regarded by said companies as an investment in higher quality of their services.

And it seems that it is not the end of new regulations governing the transport market in Scandinavia. The media inform that Norway plans to introduce a special driving course for those drivers who do not come from the country but work there. The course is meant to include driving on slippery roads. The official reason for it is the data of the Norwegian Ministry of transport which indicates that most accidents on slippery roads are caused by truck drivers. But it is easy to form another conclusion. New regulations target foreign drives only and they are to help protect even better the domestic market of Norway. It is also a signal for logistics operators. To do well on Scandinavian roads one must be vigilant and prudent. This attitude will buy time to prepare well for legal provisions which change dynamically.

Structure of foreign trade between Scandinavia and Poland and forecasts for its development – regarding specification of most popular commodity groups – enforces adequate adaptation of fleet capabilities, with due attention paid to versatility of the equipment. It is not only a question of trucks reliability and adaptation to winter driving conditions. It is also a broad spectrum of vehicles – from fast delivery vans to standard units, low-loader units, tele trailers, ready to serve for example the fast growing market of steel structures.

Clients more often expect counsel and support from logistics operators which goes far beyond the standard transport and freight forwarding services. It is especially true in the case of entrepreneurs entering the Scandinavian market, for whom an experienced logistics operator will constitute an extremely precious added value. Only those of TFL companies will have a strong position in the market which will be able to convince their clients to invest in a high quality service based on risk minimization and optimization of processes. It is an effective and successful way to reach permanent profitability rather than opportunistic lowering of price rates and driving for a proverbial song. Even more so that the Poland-Scandinavia destination imposes on TFL companies very high demand in terms of operation and equipment, but like no one else does not forgive mistakes.

Independent company operating in the field of Transport - Freight Forwarding - Logistics, specialize in international transport and LTL freight, FTL freight and oversize load freight between Europe and Scandinavia.



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