GREEN **STRING** CORRIDOR

Revolution of the Scandinavian logistics market

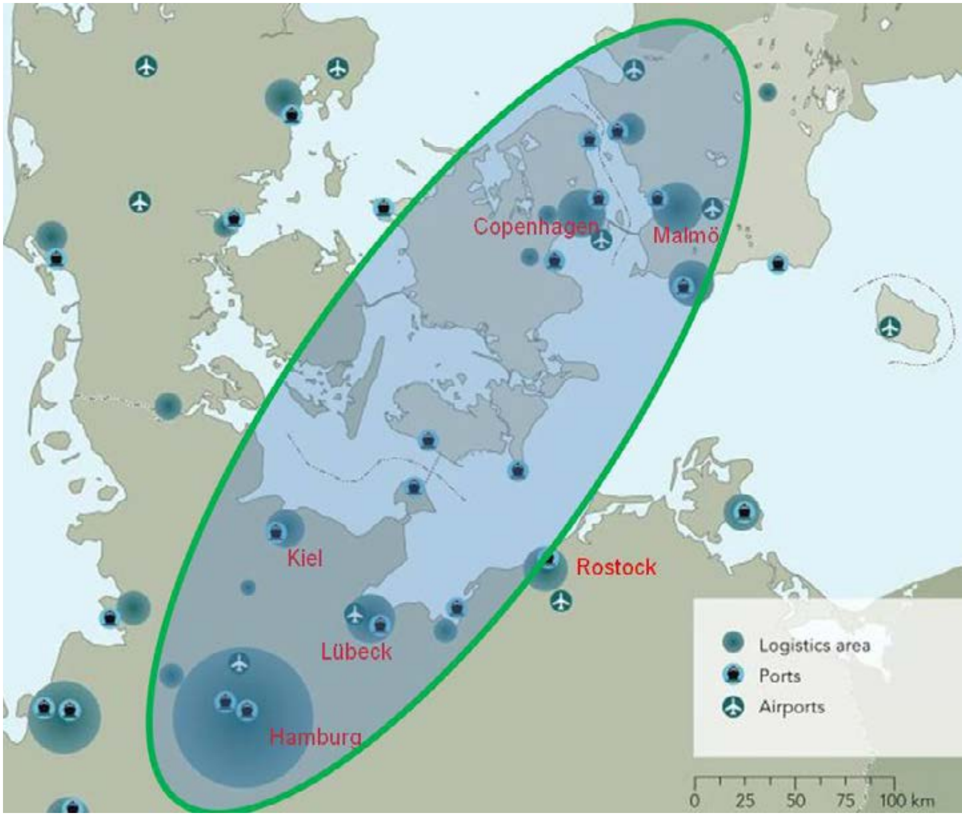
UK

Northern Europe's strongest and most innovative logistics cluster in the making

In the years to come, the regions in the STRING corridor will experience huge investments in traffic infrastructure in the form of a fixed link across Fehmarn Belt, new railway lines and improved motorways in Denmark and Germany. These investments are expected to provide better integration to the European market, to improve the access to the Port of Hamburg and to open new possibilities for business cooperation and development. These possibilities will not only increase logistics activities, but hopefully enhance the growth vital for capitalizing the benefits of these investments for wider regional development. In terms of innovation the logistics sector in the STRING region shows high potential of being the frontrunner when it comes to efficiency and environmental performance.

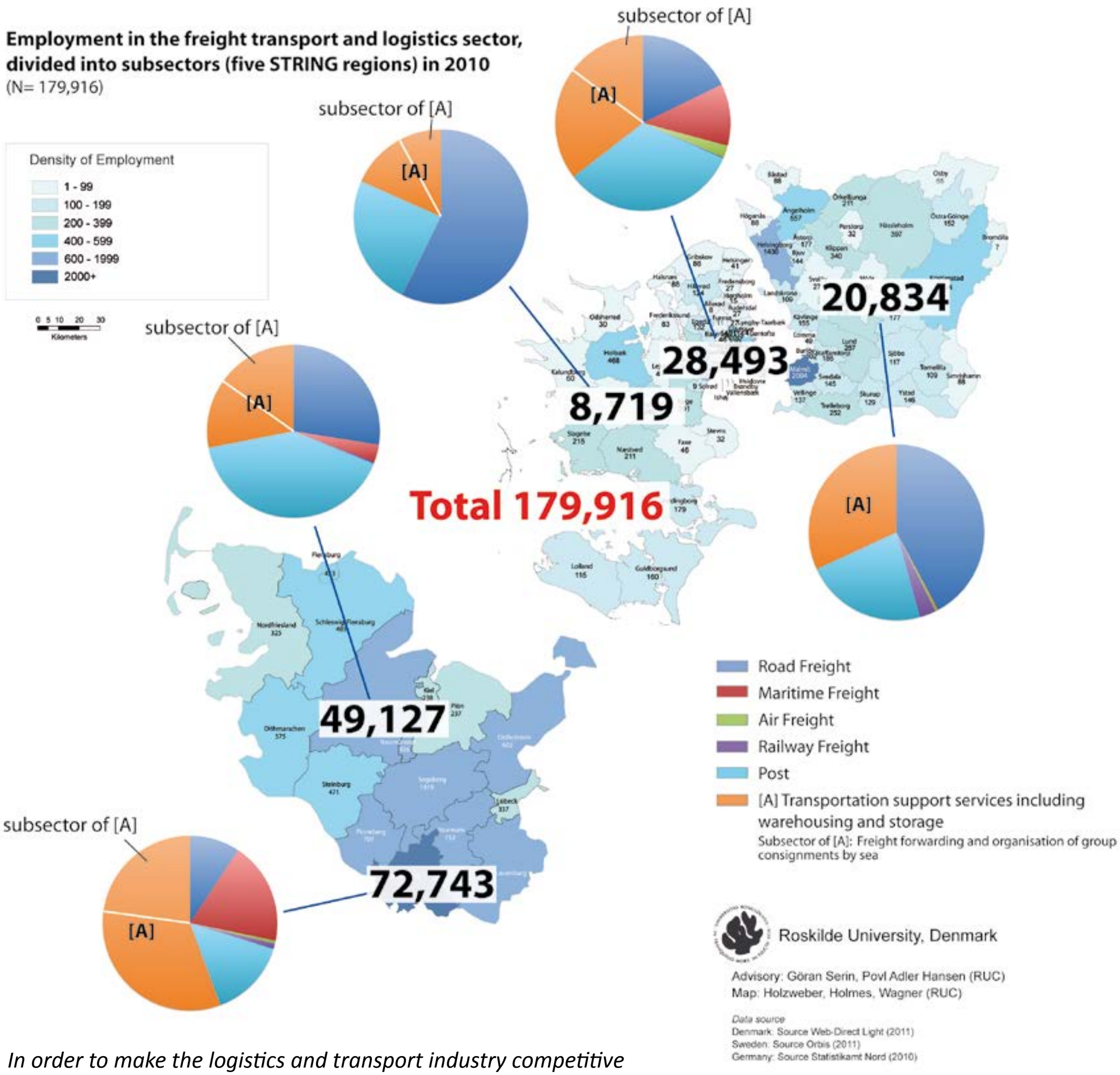
Analyses in Green STRING Corridor have documented that the transport and logistics industry in the STRING Region employs approximately 180.000 people distributed across a number of sub-branches and in different parts of the STRING Region.

The overall employment in the transport and logistics industry has been decreasing in recent years. But there are significant differences among the five STRING regions and across the sub-sectors of the transport and logistics industry. Hamburg is, not surprisingly, the main location for transport and logistics activities in the STRING Region and accounts for 40 pct. of the workforce in the industry. However, Region Scania and Schleswig-Holstein display a relatively constant size of employment and number of companies in the recent years, although with distinct differences in the composition of sub-sectors. Schleswig-Holstein has a very prominent and specialized position within the postal and courier sector which accounts for more than a ¼ of the total number of 49.000 employed in the regional transport and logistics industry.



The STRING region, i.e. The Region in Sweden, Region Zealand, the City of Copenhagen and the Capital Region of Denmark, City of Hamburg and Land Schleswig-Holstein in Germany, represent one of Northern Europe's strongest and most innovative logistics cluster.

Grafik: Femern A/S



In order to make the logistics and transport industry competitive to other markets it is important to meet the needs of this sector. Otherwise there is a risk that the industry outsources activities to other regions outside the corridor

In Region Zealand the haulage sector dominates the total number of companies and employment. But at the same time this is one of the sub-sectors suffering the greatest overall loss of jobs within the transport and logistics industry since the late 1990's. Even though the overall picture of the transport and logistics industry illustrates a decreasing number of employees, the turnover in many of the sub-sectors has been increasing and for some sub-sectors the number of employees has indeed increased- e.g. in logistics services like warehousing, third party logistics, postal and courier services.

The sub-sector displaying the greatest turnover is, without competition, the maritime sector. In the Capital Region of Denmark, it accounted for approximately 18 billion euro in 2010, while in Hamburg the sector accounted for approximately 15 billion euro. Interestingly, while the maritime industry in Hamburg accounted for approximately 14.000 employees, it only amounted to approximately 3.000 people in the Capital Region of Denmark. This clearly illustrates that, apart from location of headquarters and administration, the maritime activities of the Capital Region of Denmark are taking place on the global markets.

To capitalize the expected gains of improved accessibility, reduced transit time and more efficient transport from the investments in new infrastructure, the STRING region also depends on the availability of an agile and innovative logistics industry. The many different industries located in the STRING region importing and exporting goods and services rarely organize their transport and logistics in-house. Most companies demanding transport and logistics services have outsourced these activities to external transport and logistics companies. An organizational and geographical proximity between major transport demanding industries and companies offering adequate transport and logistics services is a vital necessity in keeping the STRING region well-connected to the European and global markets.

Access to Hamburg harbor is crucial for development of the sector

The Port of Hamburg is the main access for the transportation and logistics industry of the STRING region, to the international market. Approx. 25 pct. of all the transported volume passing through the Port of Hamburg derives from Scandinavian export and import. 50 pct. of all container transport to and from Zealand passes in transit through the ports of Hamburg and Bremerhaven. This global maritime hub is already widely used by the stakeholders in the STRING region and the establishment of the fixed Fehmarn Belt link will provide an improved accessibility to Hamburg by both road and rail. Without reducing existing bottlenecks, transport operators will still choose routes that lead around the STRING

It is essential for the transport and logistics industry to have a well-functioning access to the Port of Hamburg and also for all other North Sea ports, by road, rail and waterway.

region and therefore it will be difficult to achieve a concentration of traffic in the corridor. A bundling of transport activities is highly relevant when talking about innovative development since it often require these synergies.

Involvement of SMEs crucial for development of regional business

At present it is difficult being a small and local road carrier in the STRING region. With increased competition from larger international transport companies, who benefit from economies of larger scale and lower salaries, the smaller local companies have a very hard time trying to keep their costs at a competitive level. Moreover, there seems to be a current trend among the major retail and production companies of using only one larger transport provider for their distributions.

The STRING region benefits from a large number of well-developed service providers that have developed sustainable solutions for transport. SMEs that purchase transport services need to understand the potential benefits – both in terms of business and the environment – of moving their goods through the green STRING corridor.

Transport buyers can trigger implementation of innovation but ultimately the transport operator alone carries the risk of investment. Especially SMEs need financial support to adapt to alternative fuels and new technological solutions.

Potential role of logistics cluster initiatives for the development in the corridor

In Denmark and Sweden there is a tendency to view clusters from a network approach which means that a narrow geographical demarcation of a cluster is less relevant. This opens up for new types of horizontal and vertical cluster cooperation that could affect regional business in terms of improved connection and better cooperation to adapt new business models more effective and innovative logistics solutions (also in terms of better use of resources).

There are clearly different approaches of logistic cluster cooperation in the STRING corridor. Germany presents a typical top-down approach and Scandinavia has tried to start such initiatives using the bottom-up approach. Both approaches have different drivers for development, e.g. the Hamburg Senate is highly interested in logistics and provides a strong financial support for the logistics sector, whereas in Sweden the government maintains the position of a facilitator for the cooperation and the actual drivers are actors in the sector and business associations. This forces the work of the cluster organizations to keep on their toes to constantly be attractive for their members.

Logistic initiatives in the STRING corridor

Region Scania (Sweden)

- Invest in Scania (build up a network cooperation)
  www.investinskane.com/logistics

Region Zealand/Capital Region (Denmark)

- Copenhagen Capacity (build up a network cooperation)
  www.copcap.com
- Køge Municipality (EU project – want to establish a certificated cluster)
  www.koege.dk/kommunen/International

Federal States Hamburg/Schleswig Holstein (Germany)

- Logistic Initiative Schleswig Holstein e.V. (established network association)
  www.logistik-sh.de
- Logistic Initiative Hamburg (established gold-certified cluster)
  www.hamburg-logistik.net

Cluster development and academic cooperation can strengthen a competitive advantage since it is not possible to compete on labor costs in the future in the STRING region.

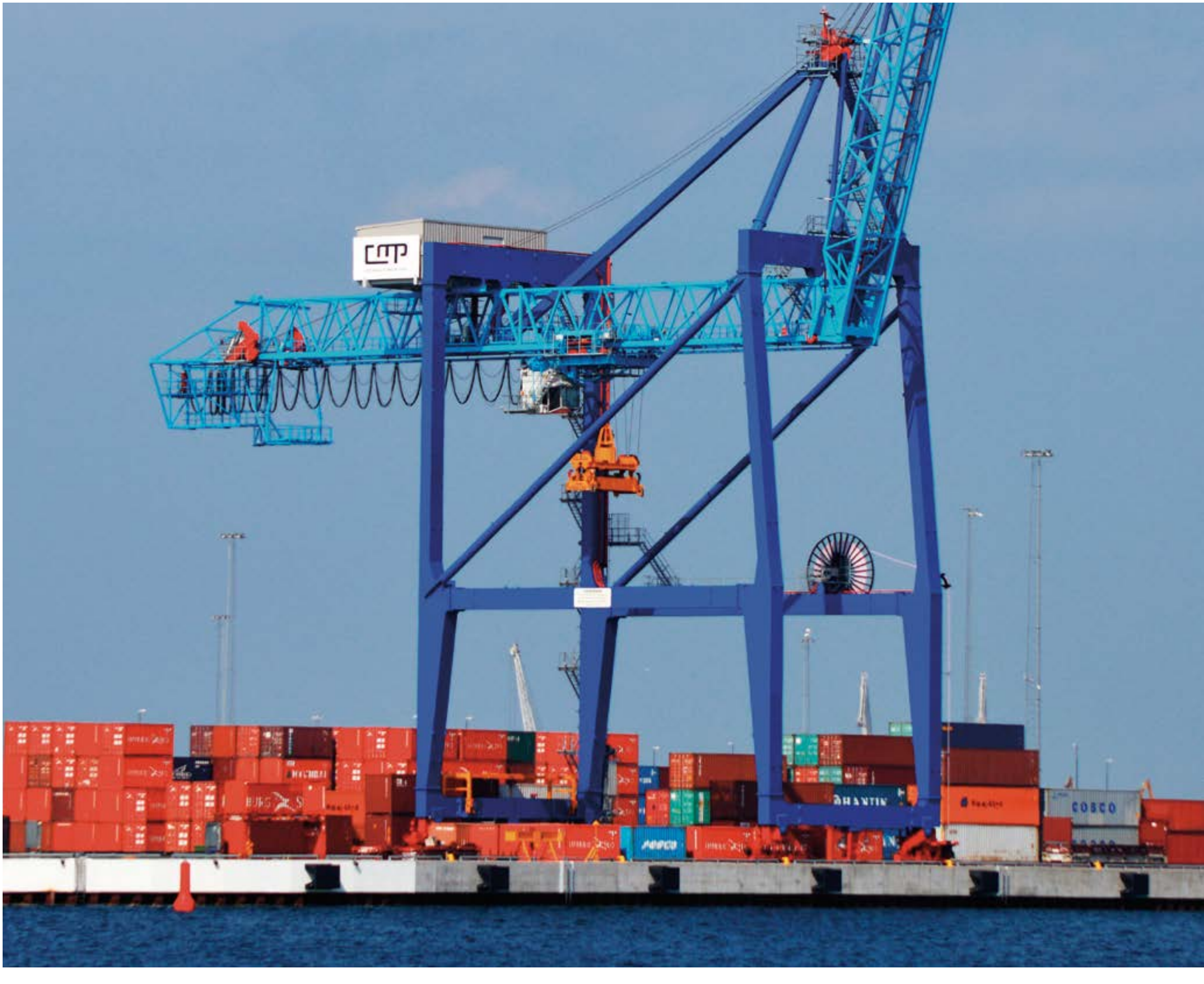
Copenhagen Capacity is an investment promotion agency for the Capital Region of Denmark and Region Zealand. Their focus is to optimize the businesses 'Supply chain management' as making investment promotion requires already existing clusters, and a strong cooperation between them. This initiative shows that one should look at the value chain perspective, as it influences all aspects of a business.

Nevertheless, clusters can have many different organization forms, but the main issue is to think about the actual starting point for establishing a cluster. Existing clusters show that it is best to start locally before going global.

Even so, there is also a need for these different initiatives to establish a stronger cooperation along the STRING corridor that supports knowledge sharing on future requirements for the logistic sector in terms of education, innovation, etc., and which meets the needs of the customers within the corridor.

Do not think outside the box! Think like there is no box ... ' (Bo Wallteg, Packbridge)

Every cluster initiative needs to have someone who is 'passionate or enthusiastic ' enough to actively operate clusters in the initial phase.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Background reports
For more details, see the Green STRING Corridor reports:
"Environmental effects of a Green STRING Corridor", Oxford Research, 2013
"Green STRING corridor SWOT analysis", Roskilde University (ENSPAC), 2012
"Employment and turnover in the transport and logistics sector in the STRING region", Roskilde University (CBIT), 2013
"The Green STRING Corridor and transport development", Roskilde University (CBIT), 2012

Website
www.stringcorridor.org

Green STRING Corridor, 2014

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