



# NORSHUKON – Establishing a new short sea shipping service from Norway to Belgium

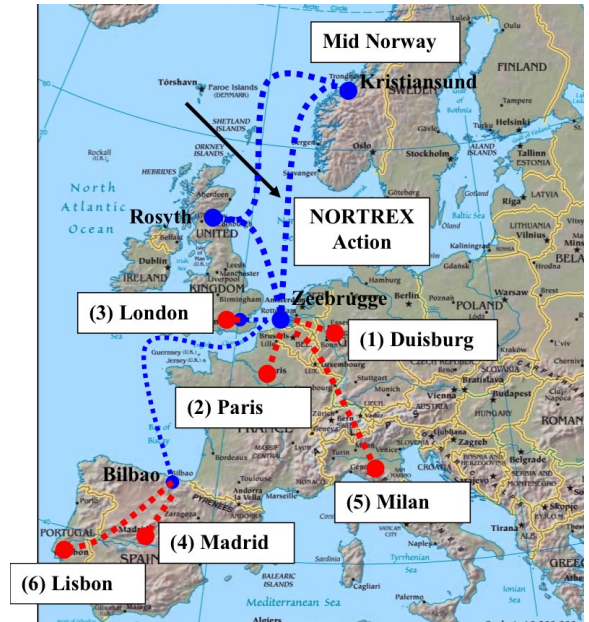
StratMos Leaflet

The intention behind this demonstration project was originally to establish a ferry service between Norway, Shetland, Scotland and Belgium. The main aim was to shift cargo from road to sea using maritime transport to the continental markets. An important aspect of the project was to reduce the transport measured in tonne-km on roads.

The initial focus was on a combined passenger/cargo line. Due to various developments, in particular in terms of fuel prices, the project lost important partnership potential. The interest in high speed vessels dropped during the same period, and as a result the project partners decided to re-think the target groups of the project. The decrease in speed meant that there was no longer any substantial interest in carrying passengers.

The project has since been developed and adapted according to market demands, and as such the current version of the project is focusing on cargo transport from Kristiansund/Hitra to Zeebrugge in Belgium. We have at the same time expanded the focus of the project to include the total transport logistics chain.

Vast market analyses have been conducted to identify the potential in the region. The fish farming industry in the Mid-Norway region remains a main potential user group of the route.



The project unsuccessfully applied for Marco Polo funding twice, despite the fact that the measurements satisfied the demands for funding. It was evident, however, that many good projects were rejected, due in part to the limited funding available from Marco Polo, as well as a focus on funding rail transport projects as well. Thus, the final part of the project has been focusing on establishing a route on a purely commercial basis, which has opened up new and innovative solutions bringing the project closer to completion.



Authors: Eigunn Stav Sætre, Møre and Romsdal County Council  
Alfred Baird, Edinburgh Napier University



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## Background and challenges

The background for this project was a concern voiced by the industry in several European countries, including Norway, about the current road transport system. This system has in many cases proved to be costly and inefficient due to e.g. road congestion, road pricing and such. Also, the logistics companies defined several other challenges, such as shortage of drivers, congestion on the ferries to/from Norway, and tougher EU-regulations for drivers.

The work to establish a Ro-Pax service from the Kristiansund area commenced in the late 1990s with the Minoro project, connecting Mid-Norway with Rosyth. As this work progressed, the partnership saw the need for a more formal cooperation on an international level. Thus, they formed an alliance between Moregruppen (a company comprising the Counties and business interests in Mid-Norway), Shetland Development Trust and Shetland Transport Partnership, which in turn established a formal cooperation with the More and Romsdal County Council through the StratMoS project.

One of the challenges for the region and the County Council is and was to ensure a growth in maritime transport to and from the region. Both the national and regional transport plans in Norway identified the modal shift from road to sea as a priority. Sustainable infrastructure planning is at the core of the County Council's main tasks.

At the same time, the EU has initiated funding mechanisms for a more sustainable modal shift through the Marco Polo programme. The DP2 was therefore in its time established with the intent to apply for this funding to ensure the start-up of the route. The partnership subsequently embarked on a tender process aimed at selecting an operator, which followed on from an earlier suggestion by the European Commission.

## Objectives

The objective of DP2 – NORSHUKON was originally to establish a new SSS service between Mid-Norway and UK/Continent (Norway – Shetland – UK – Continent). The expected result from the project was to learn from the process of establishing and running

a private public partnership (PPP), through tendering and implementing a short sea shipping service (SSS).

As the project progressed the main objective was redefined to the following; to establish a SSS service through a PPP on a purely commercial basis. Through this we aim to establish a system which can compete with road transport. Although the passenger side of the project is set aside, the long term focus may involve passengers if the demand merits this.

A more long term objective is to ensure freight modal shift from road to sea, reducing emissions and enhancing the comparative advantage of peripheral maritime regions.

## Work processes

The project work was split into three phases;

- 1) *Establishing a maritime cargo and passenger route between Mid-Norway, Shetland, Scotland and the Continent, based on private investments supported with public EU funding through the Marco Polo programme (MP)*

The focus on applying for MP funding was a crucial part of this phase, channelling the project in relation to the restrictions connected to this funding. Thus the initial work involved extensive market research across various parts of the industry to establish the actual market potential. Further, the project partners developed an international tender and selected an operator for the route, who in turn applied for the MP funding.

- 2) *Establishing the same corridor, now with cargo only*

As the fuel prices rose the transport costs could turn out to be a threat to the introduction of a sea transport alternative, but by reducing the vessel speed and still keep up the time and cost competition with road transport, the project entered a new optimistic phase. A focus only on freight transport (roro) also helped reduce transport cost. Still, at the end of this phase, MP funding was rejected for a second time, which led to the conclusion that the project needed to be established on a purely commercial basis.

### 3) *Establishing a direct maritime cargo route between Kristiansund/Hitra and Zeebrugge, Belgium, on a purely commercial basis*

The current route proposal is Hitra (Justen Island) – Zeebrugge – Kristiansund – Hitra. There will be a direct fresh sea food connection to Zeebrugge, but in the northbound direction there could be a call at Risavika (Stavanger) for unloading vegetables/fruit. The return cargo analysis will be a main subject in the next phase - as a post-StratMoS commercial activity. There is also a possibility of integrating the StratMoS project findings with case proposals in the ongoing Food Port Project (FPP) within Interreg IVB. The Port of Kristiansund and Nordmøre is a formal project partner in the FPP.

The regional working group today consists of the MRCC and the Port of Kristiansund and Nordmøre, along with the project working group which also includes the Edinburgh Napier University's Transport Research Institute (TRI), as well as interested parties outside the project.

The work in DP2 can be split into 4 key activities:

- Planning and conducting market analysis of the potential end users
- Tendering and selecting an international operator
- Applying for Marco Polo funding (in 2008 and 2009)
- Pursuing the project on a purely commercial basis through a series of meetings and dissemination events with operators, logistics companies, retailers, end users and public authorities

## Description of results

A SWOT analyses has been carried out both to describe the state of art and to evaluate the DP2 project long term possibilities. The result is shown in the figure below. Despite the fact this SWOT-study was completed in 2010 there has been no change in either the threats or the weaknesses situation. The opportunities have grown stronger due to the

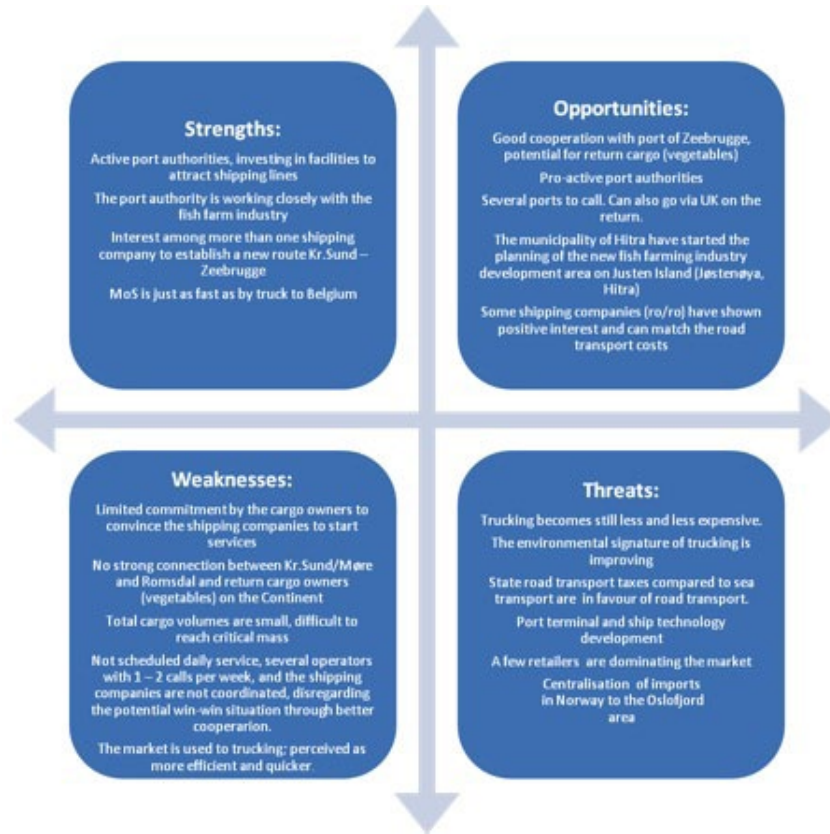
fact that the fish farming industry has shown a positive approach to the project agenda and is preparing actions underlining their interest. There are no signs of giving up road transport, but there is a growing interest of introducing fresh fish sea transport as a supplement to today's transport solutions. The main fish farming companies are now considering a relocation of their production facilities to Justen Island (Municipality of Hitra). Hitra, a member of the Kristiansund and Nordmøre port cooperation, has made it possible through offering upgraded port facilities.

Through our efforts at developing a project through the means of public co-funding, we accumulated a vast amount of market research, along with a broad network of relevant interested parties. These include the potential users of the route, the operators and the logistics companies, as well as national and regional authorities and research/consultancy experts.

The first phase of the project showed that MP funding was not accessible for this project. Although this made it impossible for the tendered operator to continue the project, it opened up the possibility for starting the service on a purely commercial basis with other operators. The interest from the latter demonstrated that establishing such a route can be achieved on a purely commercial basis. Another finding shows that the direct or indirect financial benefits have proven to be of most interest for our end users and operators. This will be important to disseminate further – along with frequency and reliability.

A side result is the planned development of a food hub in the region. This innovative idea has now been incorporated into the regional planning for the county council.

The possible return cargo identified through the newly started Food Port Project (Interreg IVB) represents an issue of interest for the start up. As a result of combining the two projects, a PhD student at the University of Chalmers is now doing much of her research on a possible Food Port Logistics Centre (including the fish export through DP2) in the Hitra area – with a focus on fish going south and fruits/vegetables coming north.



## Bringing the results forward

A key result from the project activities is identifying the key actors in such a PPP. The ports' ownership of the project is crucial. In our case the Port of Kristiansund and Nordmøre, along with the Port of Zeebrugge have been strong forces in driving the project forwards.

Also our work shows that a hands-on approach from the regional authorities is of relevance for the viability of the project and to maintain overall management of activities. Direct contact with operators and end users has, according to these parties, given the project credibility. Including the route in our regional and national transport plans has set the stage for continued efforts after the project period.

Another outcome from StratMoS DP2 is the attempt to redefine the term 'maritime transport infrastructure'. We define the actual ship structure as a mobile motorway of the sea (MoS), in effect providing a floating transport infrastructure platform. This new definition could have significant policy implications.

All findings from StratMoS DP2 can be downloaded from the StratMoS homepage: [www.stratmos.com](http://www.stratmos.com)

## The StratMoS partners

- Møre and Romsdal County Council
- Port of Kristiansund and Nordmøre
- Transport Research Institute (TRI), Edinburgh Napier University
- Flanders Ministry of Transport & Public Works

## Contact details:

StratMoS DP2 Coordinator – Eigunn Stav Saetre  
 Møre and Romsdal County Council  
 Molde, Norway  
 E-mail: [eigunn.stav.satre@mrfylke.no](mailto:eigunn.stav.satre@mrfylke.no)  
 Phone: + 47 71 25 81 89

Alfred Baird  
 Transport Research Institute (TRI),  
 Edinburgh Napier University  
 Edinburgh, Scotland  
 E-mail: [A.Baird@napier.ac.uk](mailto:A.Baird@napier.ac.uk)  
 Phone: +44 1856811320