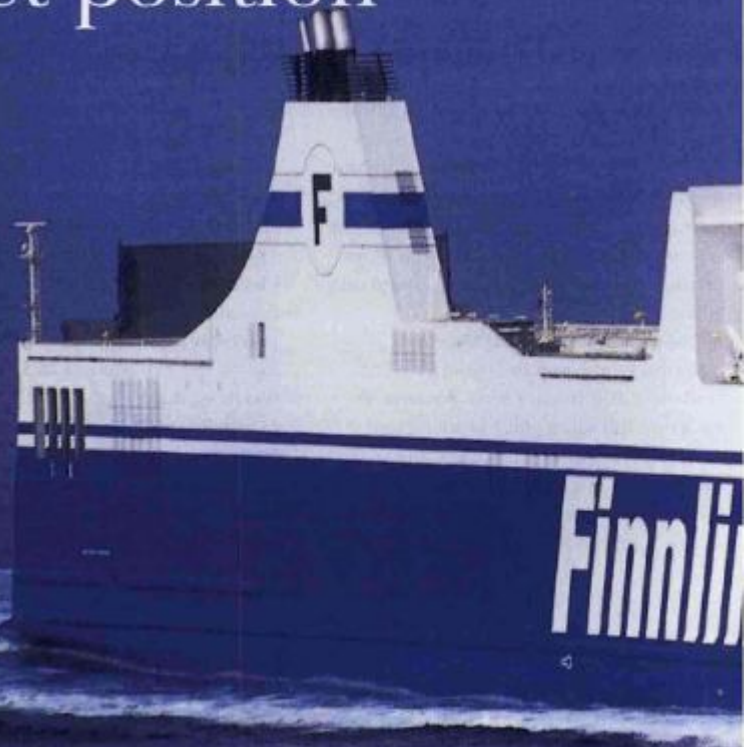


FINNLINES is structured for a strong market position



With a fleet of 26 Ro-Pax and Ro-Ro ships in service, Finnlines is one of the largest operators of Ro-Ro and Ro-Pax services in Northern Europe. Following extensive restructuring over the last couple of years, Finnlines has emerged lean and fit for the future. With two new Ro-Ro ships recently delivered and four more on order, the company has a young Ro-Ro fleet whose average age will be just three years by the time all the new buildings are delivered. The fleet consists of 11 Ro-Ro ships and 15 Ro-Pax ships and the average age of the entire fleet is under ten years. The loss made by the company in 2008 had been turned into a profit by 2010, despite the drop of Euro 170 million in the company's turnover between 2008 and 2010 due to the world financial crisis. We have been to Finnlines German office in Lübeck, Germany to discuss this success with the company's President and CEO, Uwe Bakosch.

TEXT: MAGNE A. RØE, DNV





» Uwe Bakosch, President and CEO, Finnlines.



» Ship interiors are modern and inviting with emphasis on good food, relaxation and the option to visit many ports in the Baltic region.

This is an impressive turnaround – how can you explain it?

We achieved the turnaround in some big steps. First and foremost, we cut all unnecessary costs. We did that by questioning costs in all sectors of the company to ensure that what we were left with were the costs needed to build for the future. Secondly, we found that we needed to structure the company so that we have the right ships, the right speed and the ships in the right place – in short we created our new custom-made production model. This optimises the use of the fleet by reducing the actual number of ships from over 40 to 26 in service today, making our operations less complicated but adding even more connections by extending the fleet network. Comparing 2010 with 2009, the number of private and commercial passengers increased by 22 per cent, and if we

isolate just the number of private passengers transported by us, this increased by 44 per cent during the same period.

The Grimaldi Group has a major ownership stake in Finnlines. Can you describe this relationship?

The Grimaldi Group is an extremely professional, internationally very well respected shipowner with most of its trades in the Mediterranean, North America, South America and West Africa. Finnlines, which is a Grimaldi Group company, is one of the largest operators in Northern Europe and together we form a large, multicultural and international streamlined group. The most important reason for our turnaround is synergies. For instance, we closely cooperate with the Grimaldi-operated terminal in Antwerp, which covers a total land area of over one million sq. metres.

We jointly use this terminal as a hub for our North European ship operations, and can interchange cargo with the Grimaldi Group's massive international sea route network. The other big advantage is that we can now utilise a common e-booking system for passenger bookings, which is great for all our customers. The world of customer self-service allows our clients to book the most suitable trip for them online and expect a system that is both fast and reliable. This streamlined customer-friendly e-booking system is the result of a project started by the Grimaldi Group together with Minoan Lines and Finnlines. Finally, in relation to synergies, the purchasing power of the whole Group must not be forgotten, and we will continue to focus on this.





» **FINNLINES' NETWORK** The distance from St. Petersburg to Bilbao is by far the longest stretch, about the same as from Rotterdam to Halifax.

You have grown a lot over the past year and clearly this cannot just be about lorries and drivers?

That's correct but our cargo focus is the core of the company. However, we've expanded our passenger business and on some stretches, like the Sweden to Germany one, the number of passengers has tripled over the last 2½ years. So we have our lorry drivers, but we also have holidaymakers – the ones with no commercial interest in travelling. Besides our very loyal increasing numbers of summer guests, a special target segment are the off-season travellers - retired people, families, people travelling during the winter to experience icy conditions and a clear, star-filled night sky at cold temperatures. Then we have quite a few who don't like to travel crammed into airplanes, and we even have a fair number of authors writing books

on our ships. I guess they need a quiet place where the setting is good for writing – like on a ship in motion. In addition, we have re-designed the interiors of our modern fleet so that our guests can relax and enjoy the trips, which can take up to some 60 plus hours. The service and food are excellent, the party factor is low and the relaxation factor is high. We can offer hop-on, hop-off trips around the Baltic on which passengers can bring their own cars or vacation vehicles to travel at their own speed, then re-join our ships and get to a different country and do the same again. Cruise ships cannot take cars – so we have an entirely different concept. We have upgraded public areas and cabins after consulting our passengers and crew, and I feel that this has resulted in ships that are more functional and stylish. We have also concluded a promising cooperation agreement with Deutsche Bahn (DB) subsidiary Ameropa, which has resulted in a service called Rail and Sail. Tickets will include the rail ticket to a port and then travel on our ships to whichever of our destinations the customer wants to sail to. I have high expectations for this brand new cooperation agreement with DB.

The fleet is growing and your business customers' traffic is on the increase. In short, what sort of trade do you do?

We have entered into an intensified cooperation agreement with StoraEnso and UPM for the transport of forest products from the north of Europe to the south, and we ship new cars for the automotive industry to North Europe the other way, including trailers up North. In short, forest products to the South, rolling stock to the North. Headline wise, this is the bulk of our RoRo-trade. In order to be cost-effective and meet our customers' expectations, we have, as I mentioned previously, a young and highly efficient eco-economical fleet. Just recently, we also implemented one more major strategy shift - instead of chartering many ships we have gone in the direction of owning and operating our own ships. Chartered ships are more for the peaks instead of for the

bulk of business. This gives us the necessary control of our own fleet, as well as the flexibility to meet our customers' needs so that they can get a uniform product.

The ECA, meaning the Baltic Sea where you have your main operations, will have a future limit of 0.1% for the sulphur content of ship fuel. What is your view on this?

My view is that global emissions know no international borders, meaning that CO₂, NO_x or SO_x emissions from any source anywhere are not good for the environment. This means that if the Baltic as an isolated area is going to be so strongly limited this will hurt the whole region by hampering the imports and exports and at the end of the day more shipments may be transferred to road and rail traffic. Ships are far more environmentally friendly, and we have a modern fleet which can be equipped with the latest technology when needed. So technically we can have our fleet ready for the new emission regulations by 2015. European politicians have started to really focus on this issue much more now, and here in Germany the politicians in the Bundesrat just lately voted clearly in favour of an eco-economical solution and are likely to move for a limit of 0.5% instead of 0.1%. This is because the European Union depends on creating more jobs and one region like the Baltic cannot be a single target for these reduced emissions. I believe that deep sea traffic across the oceans should also be required to reduce the sulphur content of fuel to 0.5%, as the volume of emissions produced by this traffic is very high compared to the ship emissions from the Baltic, and this would therefore benefit the environment more. But this is in the 'big picture', as emissions are a global problem. To summarise: yes, we should reduce the sulphur content of ship fuel in the Baltic, but we should set targets that will not hurt those living around the Baltic and restrict the industrial output and subsequent growth of these economies. ●

