Interview with Kari-Pekka Laaksonen, CEO, Samskip

The end of the rainbow

by Przemysław Myszka

It is hard to imagine how our lives would look if not for the transport and logistics people, resiliently keeping goods flowing over the borders. We are talking with Kari-Pekka Laaksonen, the man at the helm of the multimodal Samskip, about dealing with a perfect storm of disruptions: COVID, Brexit, and, most recently, the rollercoaster on the container market. We are also putting other disruptors in the limelight: digitalisation and striving for greater sustainability.

■ ***How has been Samskip faring throughout the pandemic? Was it challenging to maintain a multimodal network that spans many countries?***

The coronavirus elephant is still very much in the room, having impacted us in different ways throughout the last 18 months. While the core of our operations takes place in Europe, we have overseas offices, including in China. We received a heads-up from the Chinese team in the wake of the aggravating situation in the Far East, but in early 2020, nobody could comprehend what was about to unfurl globally.

In the beginning, we were concerned about how a multinational company like ours would deal with the necessity of sending our employees to work from home. I can still remember the sight of our people taking computers and monitors, worrying how operations would perform since Samskip bureaus turned into a multitude of home offices in a twinkling. I'm surprised how well it went and proud of our team rising to the challenge. It was a steep learning curve, a shock even, but actually, also an amazing experience to watch and be part of. That said, there are certain drawbacks, too. After over a year and a half of forced distancing, people started craving the 'office life.' We have more or less established the hybrid model of working now, getting that 'personal touch' in place that some projects particularly benefit from, such as brainstorming. Granted restrictions allow for that, of course. It is a bit frightening to think what would have happened if a pandemic like the current one had hit ten of 15 years ago when broadband Internet access or the availability of digital communication tools weren't so common. Getting past corona with an email only? Too daredevil for my liking.

Coping with the situation on the freight handling ground was also demanding. Countries imposed various restrictions and at different times. Some transactions couldn't be executed because of that. For instance, truck drivers were reluctant to cross borders, wary of contracting the pathogen, let alone in a foreign land, or being forced to quarantine. The side effect of it was that many shipments shifted from roads onto rails. Unaccompanied traffic rose in prominence. If I had to pick a silver lining to the otherwise grave situation, it would be the pressing urgency to re-establish the logistics chains to accommodate the 'new normal.' By derailing our reality, the pandemic has given the rail sector a shot in the arm. As a result, transport corridors became greener and safer due to more trailers and containers pulled by locomotives rather than trucks. I have a hunch this trend will stay with us for longer, as our clients have also grown well-disposed towards rail – or multimodality at large for that matter.

The pandemic has opened our minds, taking off the blinders of doing things in one set manner. Another example would be our vessel fleet. On the one hand, we, like others, bumped into crew change hurdles. On the other hand, our engineers have begun inspecting ships remotely using Virtual Reality tools.

■ ***What is your take on the current condition of the container market? What effects have the soaring freight rates, difficulties with access to empty containers, and congestion at major ports all along the global supply chain had on Samskip?***

It has certainly affected us, however, to a limited extent. The freight rate windfall is more or less confined to the deep-sea trade lanes. Our market, short sea shipping in Europe, is much more fragmented. Atop that, it faces competition from rail and road operators. At the same time, the New Silk Road, capacity-wise, cannot provide a full-blown alternative to mega carriers sailing between Asia and Europe.

That said, there are some negative spillovers, the rising marine fuel prices among the ones having the heaviest impact on our bottom line. Inflation has put in its two pennyworth, too, forcing shipping lines to raise the freight rates. Queues at ports and the lack of empty containers have unquestionably taken their toll on regional players, provided they 'trade' in twenty- and forty-foot boxes like the global carriers. Samskip chiefly carries forty-five footers, which is a wholly different cargo unit concept. A lot depends not so much on the port of call but individual terminals. If you are a smaller carrier competing with a bigger one for a berthing slot, perchance at a facility that forms 'one family' with the latter, then you might find yourself between a rock and a hard place.

■ ***How have logistics changed between the UK and continental Europe after Brexit?***

The UK trade has been hit from both sides, the country's departure from the EU and the disruption of the deep-sea container supply chain. The main bottleneck here is the lack of haulier capacity to take care of the volumes to and from British ports. Naturally, the post-Brexit customs regime has only blown the dwell time coals. COVID didn't make it easier either. Worryingly, I have the feeling that the capacity issue, be it at the country's ports or the haulier side, cannot be fixed overnight, even if we go past the pandemic. Much sand has been put in the wheels of UK logistics, and it will take considerable effort to redesign it so that it works seamlessly. I'm confident we will get there, however, after a rather lengthy journey. It, though, won't be the same setup as before Brexit.

On a more general note, the pandemic and Brexit have exposed the fragility of the just-in-time and low-to-zero inventory concepts. Transport companies, manufacturers, distributors, and retailers are rethinking their operations. It remains to be seen whether we will go back to the old way of lean supply management or the even older practice of having higher stocks. We may as well witness a shift from a single corridor mindset to exploring alternatives to flexibly change the transport pattern, as bottlenecks can pop up in different places but always negatively affect the entire flow of goods.

■ ***How is Samskip tapping into the digitalisation trend? What can technological solutions do for a company that takes care of cargo using different transport modes?***

A lot depends on the specifics of a given company or logistics chain. It is noticeably easier to



keep everything under one umbrella, among others, for easing internal data exchange between various transport modes. External information sharing relies upon the customers' systems; we can have a direct one-to-one transmission or a more complicated setup.

After a thorough analysis, we have decided to build mySamskip, a platform that will be used by both the customers and us to operate within the same environment. It is a tool in the making, but already today, clients can directly make order entries and receive feedback on, for example, transit time. We see it as an enabler, a means of digitalising, not only our operations but also those of our clients' who still haven't digitalised their activities for various reasons. At its core, mySamskip is about getting everybody on the same standard page, so to say. It pertains to our company as well. Samskip comprises many divisions, having their ways of doing things. The company wasn't founded yesterday either, meaning legacy systems ought to be replaced by significantly more innovative solutions. We intend to introduce greater visibility across the board. It will, in turn, allow us to add new features to the system as it develops with the help of our teams, clients, and suppliers. I'm personally more than well-affected to mySamskip, and how it will improve the company as a whole and, hopefully, also those we serve.

Like the pandemic and Brexit, digitalisation pushes us out of our comfort zone, incentivising the discovery of how we can do things better. It isn't an overnight process; it requires a certain openness to change coupled with resilience and grit to move forward. Even if it at times requires taking a step back or to the side. There is this saying, "if it ain't broke, don't fix it," to which we at Samskip would like to respond with "better is the enemy of good." The world is changing, and just as software needs updates to retain its functionality, so does the movement of goods. An example in this regard would be furnishing our facility in Duisburg with a terminal operating system. It was a lengthy process, but it greatly improved efficiency, chiefly by giving better access to operational data. As a result, Duisburg has strengthened its role as one of our leading platforms for truck, rail and barge traffic, with Sweden and Italy being the two main destinations.

■ ***Samskip has recently taken over Sea Connect, a Lithuanian container shipping company sailing between the Baltic and North Seas. Why did you decide to acquire the company?***

We concluded that the company's St. Petersburg-Rotterdam traffic, plus its activities in the Baltics, will be a good match for our operations. We have been present in Russia for some time now, though without our tonnage. It was high time to secure the capacity to be sure we could meet the customer demand.

We also believe the Baltic trade lane will grow and would like to handle the rising volumes. We can then use Rotterdam and Duisburg to link the Baltic Sea region with other economies throughout our multimodal network. In the opposite direction, we can provide European exporters with easy access to the two biggest Russian consumer markets, St. Petersburg and Moscow. In Russia, we are interested in door-to-door deliveries instead of just getting the cargo to the quay.

■ ***What is Samskip's sustainability policy?***

I would say multimodality when done right: a seamless flow of goods between various transport modes, preferably by sea, rail, and inland waterways. Trucking operations can be bettered, too, either by technology, think cleaner fuels or alternative power sources, or getting rid of empty runs. Regulations will be vital as well. Companies need certainty concerning the feasibility of various investment paths. Or, in other words, a level playing field. By all means, we shouldn't omit financing, the confidence that transport companies will be able to secure funds for green investments. Engagement from shippers and cargo owners to use eco-friendly transportation services will be more than welcome. It is about time everyone starts walking the talk, as there is nothing sustainable in a PowerPoint presentation about sustainability.

These are pivotal times, with several breakthrough technologies promising to take us to the end of the rainbow. Once more, the conditions have become favourable for searching for out of the box ideas. Indeed, Samskip is about taking care of shipments; it is unmistakable that we are exploring biofuels to limit our emissions, with the 800 TEU-big *Samskip Endeavour* as the first to sail on sustainable biofuel only. The company offsetting carbon footprint by forest revitalisation? That is something outside the "traditional" playbook but well within our reach – and others' for that matter. Apart from that, we are keeping the finger on the eco-tech pulse. Electric trucks? Just make sure the electricity supply is green. The same holds for hydrogen. Liquefied natural gas (LNG)? It is a sound interim solution that can become an even more desirable transition platform if we talk about sustainably sourced bioLNG, particularly as it can share the infrastructure and engines with the existing gas-run vessels.

The change will most probably take place corridor by corridor and from lower-to-low-to-zero solutions. Some trade lanes might be faster to green, such as between continental Europe and Scandinavia; for others, it might take a little longer. It will require us to be on the ball with the different technologies and their applicability to concrete setups. ■