



# More focus on RoPax ferry business

The Swedish Shipping company Rederi AB Gotland owns and operates the ferry service between mainland Sweden and Gotland, Sweden's largest island. Additionally, the company owns six international operating tankers and a yard in Stockholm. In 2019, a new generation of RoPax ferries were introduced in the ferry traffic between mainland Sweden and Gotland. The ferries, powered by LNG and LBG, "M/S Visby" (presented as "M/S Visborg" in RoPax magazine 2019) and "M/S Gotland" hold a high standard.

**In August 2021, the company launched its new service between Rostock, in Northern Germany and Nynäshamn, Sweden. The route is operated by the RoPax Ferry M/S Drotten from 2003. M/S Drotten sails three times per week from each port. On the southern route, i.e. Nynäshamn – Rostock M/S Drotten calls for the port of Visby, Gotland, on Friday night, and the northern route calls on Visby on Sundays. During the summer months M/S Drotten will call at Visby twice a week on the southern route. In April 2022, RoRo vessel "M/S Eliana Marino" was chartered to complete the service for six departures per week. RoPax visited the CEO of Rederi AB Gotland Håkan Johansson and spoke with him about the traffic and coming activities.**

**RoPax:** For me it is the first face to face interview after Corona pandemic. How was the season 2021 for your operations to island Gotland?

**Håkan Johansson:** Sweden had restrictions and recommendations, that affected our operations, until mid of June 2021.

When some of the restrictions were removed we saw an increase of bookings during that period. Looking back at the figures from the summer months we can conclude that we had more passengers in July 2021 compared to the summer of 2019 before Corona, which was our best summer to date.



CEO of Rederi AB Gotland Håkan Johansson

**RoPax:** From where came the passengers? More from Sweden or from other countries?

**Håkan Johansson:** 2021 was mostly a domestic market. Because of the Corona-restrictions the possibility to travel abroad was very limited. That in combination with several months of having to work from home increased the desire to leave one's house and to travel within Sweden. Gotland is a very popular domestic destination, when the domestic restrictions were removed we saw a steady increase in bookings.

**RoPax:** How do you look into the future for the next years and the development of travelers to Gotland?

**Håkan Johansson:** We see a steady increase in bookings for this coming summer. The island of Gotland is an attractive destination, and we see a growing interest in visiting our island throughout the year, and not only in peak season. I believe many recommend Gotland as a destination and have heard about it from friends and family.

**RoPax:** That's a good outlook. 2021 in late summer you started a new ferry connection between Nynäshamn and Rostock and with a stop in Visby at the weekend. We know that Rederi AB Gotland is also engaged in tanker operations and in the past you had also some crew transfer vessel of Northern offshore services. Are you still active there and how is the strategy direction of your company?

**Håkan Johansson:** We had a cooperation with Northern Offshore Services (NOS) in that sense that we owned some of the crew vessels. We left this business, and for the tanker business we have decreased the fleet as well. We did this in connection to the delivery of the two LNG/LBG RoPax vessels "M/S Visborg" now "M/S Visby" and "M/S Gotland" for the Gotland traffic. It has been a natural shift within the balance sheet, as the two new vessels have a value of 400 million dollars, resulting in us having to reduce some assets in other segments.

**RoPax:** You have the new ferries in service are you satisfied with the operation?

**Håkan Johansson:** They are sailing very well, we are very satisfied with the product. The vessels can be powered with liquid natural gas (LNG) and liquid biogas, which is better for the environment. In 2021, we increased the share of biogas to 10%. Our ambition is to continuously increase the amount of biogas in the future to at least 30% by 2030.

**RoPax:** How do you match actual the situation with increased prices for LNG?

**Håkan Johansson:** Given the situation at hand with dramatically increased prices for LNG, we are currently reviewing our alternatives. We still have our goal of becoming climate neutral by 2045 at the latest, and we will continuously work towards meeting this goal.

**RoPax:** With these two vessels you are good prepared for the future to match the EEXI regulation. How are you prepared to full fill with your whole fleet the regulations which will come into force 2023 to 2025?

**Håkan Johansson:** This is one of our focus areas going forward. In 2021 we established a new company in the group – Gotland Tech Development. The purpose of Gotland Tech Development is to develop innovations within maritime transportation and to cooperate with companies within both the maritime and the energy industry. We are currently working on biogas projects and other energy projects like solar power and wind power to produce fossil free hydrogen, to mention a few of the projects where Gotland Tech Development participates. We believe that fossil free hydrogen is one of the fuels of the future. Furthermore, we are working



on a design for the next generation of RoPax – Gotland Horizon. Gotland Horizon is designed to be powered by fossil free hydrogen, meaning that the only emission will be H<sub>2</sub>O. Gotland Horizon will be powered by a gas turbine in combination with a steam turbine allowing emission free high-speed crossings. Our ambition is to have Gotland Horizon in our fleet no later than 2030. Gotland Horizon is one of Gotland Tech Development's major projects.

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**RoPax:** Is it possible that this new company could work also for other shipping operators which are not so huge to develop by themselves such systems?

**Håkan Johansson:** Gotland Tech Development will not hire 20 engineers and try to find solutions by their own. We believe that collaboration is more fruitful in terms of innovation and development, and we are looking for both smaller and larger partners. We will work project based, and although we don't have that many people employed within Gotland Tech Development, we have capital to invest in the different projects. The

company itself is located at Gotland, but people working for Gotland Tech Development live in different parts of Sweden, for example, Christer Bruzelius is managing several projects including Gotland Horizon and he lives in Skåne in southern Sweden.

**RoPax:** The main question is the new business of your company between Sweden and Germany. You launched end of August 2021 the new line between Rostock and Nynäshamn. Why do you stepped into this market and the risk to get not the revenue for a healthy operation?

**Håkan Johansson:** I would say it is a combination of things. As I've mentioned earlier we have reduced some of our activity in other segments, such as tankers, to shift our focus towards our core business – RoPax and passenger services. We have been working for some years to expand our core business to include more than the service between Gotland and the Swedish mainland. Our daughter company Destination Gotland is running the Gotland service – a service that is tendered by the Swedish Government, meaning that the service is co-financed by the Swedish Government and Destination Gotland. This service is publicly procured by the Swedish Government as it is not commercially viable outside of the summer months, that being said Destination Gotland produces more crossing than what the contract stipulates.

With the Hansa Destinations service between Rostock and Nynäshamn, we can connect the Stockholm region with Northern Germany and potentially the whole European continent. Some crossings will also call at the port of Visby.

In addition, Rederi AB Gotland has for a long time worked to reduce our carbon footprint and we constantly want to do our bit to drive the transition of the maritime sector. We offer transporters and freight owners a flexible service with departures six times a week. The new route provides logistic companies and other customers with a new transportation alternative that



JPE



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will reduce emissions by encouraging a modal shift from road to sea. This route helps transporters and freight owners to skip over 600 km of road transportation. But the competition is fierce as there are many crossing alternatives between the south of Sweden and Germany. Hansa Destinations was awarded government funding in its start-up phase under Sweden's Eco-bonus scheme, as part of efforts to reduce greenhouse gas emissions.

**RoPax:** You will get 7.5 million Euros?

**Håkan Johansson:** Yes, we will get this for the first year. It is a great start but it is not enough in order to produce a profitable service, meaning that Rederi AB Gotland will finance the majority of this service.

**RoPax:** You vessels are still using MGO (Marine Gas Oil)?

**Håkan Johansson:** Yes, initially. When the service is successfully up and running and we see a long-term commitment from the freight customers, we will look into greener alternatives as we've done for Destination Gotland. In addition to moving goods from land to sea we believe that transporters and freight owners will save some time as they can schedule their resting time on-board. Furthermore, the price is competitive compared to similar transportation alternatives.

**RoPax:** Your idea is that the cargo owners are asking more and more for the carbon footprint for the whole transport chain of their goods?

**Håkan Johansson:** The logistics companies are the key target group for this new service. But other industries, e.g. the FMCG-industry who hires and contracts the logistic companies are currently doing their best to reduce their carbon footprint throughout their value chain. The more transportation alternative they have to choose from – the better for the environment.

**RoPax:** I think unaccompanied cargo is more interesting for this long-distance service? But it is reality that the combi traffic in Sweden has not enough capacity to take more cargo on the railway?

**Håkan Johansson:** Yes, the Swedish railway network system lacks enough capacity as well as competition. It is quite expensive, and at the same time the freight market is growing. We see a growing interest for our new service.

**RoPax:** Why did you choose Rostock as your continental port?

**Håkan Johansson:** We did an analysis of pro's and cons to decide on which port that would be the most suitable. We started our planning with Sassnitz, but soon realized that the Hinterland connection was

limited. We also looked into Travemünde but decided that Rostock was a better fit for our intention with the service where we can offer a good sailing time with a speed of 22 knots.

**RoPax:** How do you see market for German tourists to get them to Gotland and to offer them an attractive destination?

**Håkan Johansson:** We receive more and more inquiries from travel agencies and bus operators which will make weekly tours to Gotland on bus arrangements. During the last couple of years we have been working with some agents on the German market to increase passengers from Germany. So far, we have seen a

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steady increase and right now there is a growing interest in visiting Gotland. Gotland has a unique nature and is full of beautiful and exciting places to visit.

**RoPax:** We heard from the Swedish Press that the Swedish state department for traffic “Trafikverket” is thinking or set up a project group to research the possibility to operate the Gotland service between mainland Sweden and the island by state owned ferries?

**Håkan Johansson:** In September 2021, Trafikverket published a report evaluating several alternatives for how the Gotland service could be structured in the future. The service has been procured since 1971, evaluating what kind of service and set up that could be requested for the future is a normal part of the process. Nothing has yet been decided, and for the coming contract period starting in February 2027 the set-up will be the same as today.

**RoPax:** Thank you very much. ■