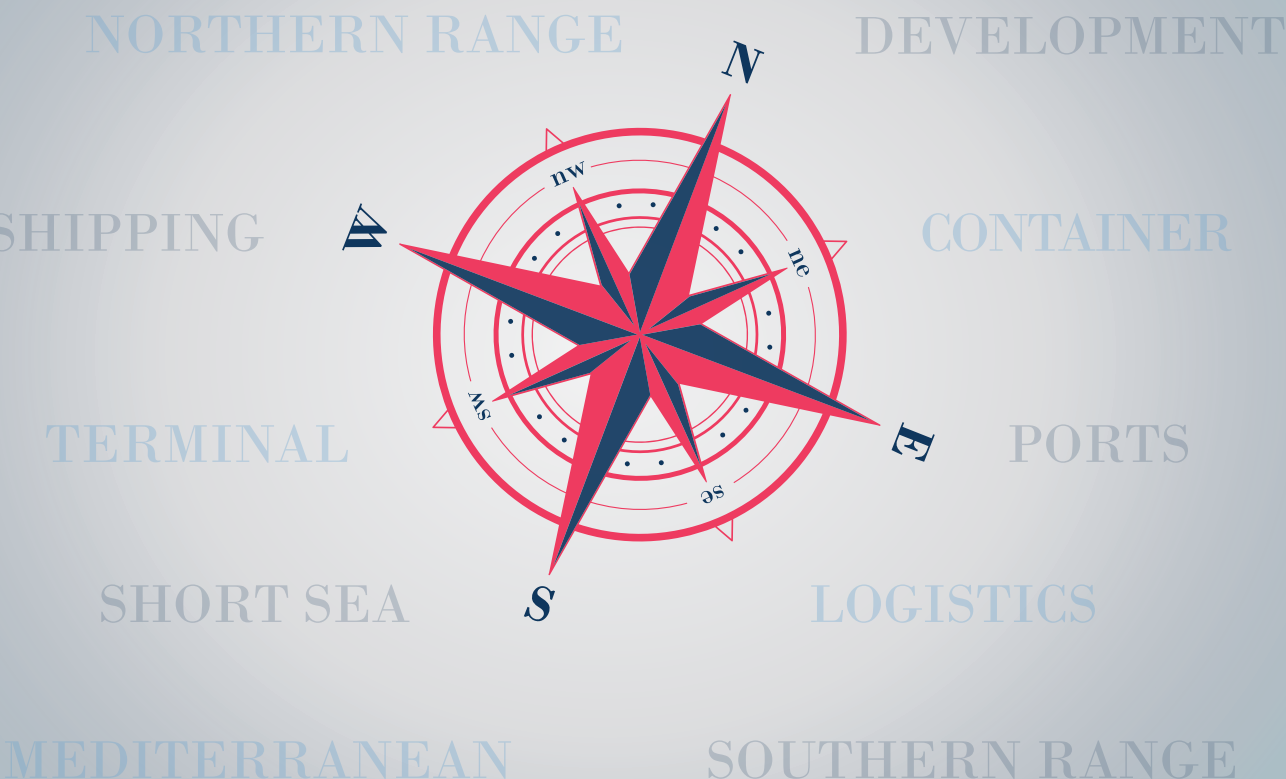


Italian Maritime Economy

New routes for growth

1st Annual Report

2014





ITALIAN MARITIME ECONOMY

New routes for growth

Annual Report 2014

GIANNINI EDITORE

The analysis contained in this report represents the result of a specific SRM project and does not claim to be comprehensive. In addition, it does not undertake or represent in any way the thoughts and opinions of SRM's founder and ordinary members.

The research is exclusively aimed at cognitive and informational knowledge, and is not, at any purpose, an opinion, a suggestion of investment, a review of companies or individuals mentioned. All the interviews carried out for the case studies and whose text has been regularly approved by the interviewees have been edited by SRM, which is, under no circumstances, responsible for the facts, opinions, news and data referred to, as in the case of chapters not directly processed by SRM.

The faithful reproduction of text, even partial, cannot be carried out without the authorisation of SRM. The use of this research and of the information herein contained is only allowed for the purpose of studying and researching the industry and shall be carried out quoting the source.

Publication based on data information available as at March 2014.

Cover design and publishing development:

Marina RIPOLI (SRM)

ISBN - 978-88-7431-726-4

2014 © Giannini Editore
6/b, via Cisterna dell'Olio - Naples, Italy
www.gianninieditore.it

Published by



RESEARCH AUTHORS

(Author details on page 195)

Research Director:

Massimo DEANDREIS

Research Team:

Alessandro PANARO (Coordinator), Oliviero BACCELLI,
Anna Arianna BUONFANTI, Consuelo CARRERAS, Agnese CASOLARO,
Autilia COZZOLINO, Ennio FORTE, Lanfranco SENN.

ACKNOWLEDGEMENTS

The annual report Italian Maritime Economy 2014 is part of a wider web project carried out by SRM called ‘Permanent Observatory on the Maritime Economy’ that also led to the creation of the specialised portal: www.srm-maritimeeconomy.com. Its aim is to monitor and study economic dynamics and the economic impact of this industry on the Italian economy within a European and Mediterranean frame work.

The project has also been carried out with the support of Federagenti and Unione degli Industriali di Napoli to whom goes a special thanks from SRM and all of the authors of this research. In this regard a special thanks goes to: Michele PAPPALARDO (Chairman of Federagenti), Ambrogio PREZIOSO (Chairman of Unione Industriali di Napoli), Michele LIGNOLA (General Manager of Unione Industriali di Napoli), Francesco TAVASSI (Chairman of the section “Logistics and Transport of Unione Industriali di Napoli).

Another special thanks goes to Banco di Napoli and Banca di Credito Sardo for having collaborated during the presentation and dissemination of this research. In this regard a special thanks also goes to the President of Banco di Napoli, Maurizio BARRACCO and to the CEO Franco GALLIA, and also to the President of Credito Sardo Giorgio MAZZELLA and to the CEO Pierluigi MONCERI. We would like to thank the Shipping Desk of Mediocredito Italiano for their active participation in this research project.

We are also grateful to those companies that have participated and demonstrated their support to the development of these case studies, in particular to: Contship Italia Group, Grimaldi Group, Maersk Italia, Tanger Med Port Authority. In this regard a thanks goes to: Marco SIMONETTI (Vice-President Contship), Emanuele GRIMALDI (CEO Grimaldi Group), Orazio STELLA (CEO Maersk Italy), Najlaa DIOURI (General Manager Tanger Med Port Authority).

Thanks to Olaf Merk, Administrator Ports and Shipping at International Transport Forum (ITF) of the OECD for the Focus “ Global ports and urban development: findings from an OECD programme”.

In general, a big thank you also goes to all of the Port Authority officers who provided us with updated data on cargo traffic. In addition, a special thank to: Rinio BRUTTOMESSO (RETE), Oriana GIOVINAZZI (RETE), Paul KYPRIANOU (Grimaldi), Andrea MASTELLONE (Chairman Assoagenti Naples), Alberto PERA (Maersk), Teresa PUGLIESE (Mediocredito Italiano), Felicetta STANCO (Unione Industriali di Napoli), Daniele TESTI (Contship).

NOTES:

Although the editing and responsibility into the overall design of this work and the subsequent drafting of the entire report is to attribute to SRM, the specific assignments of each Chapter are as follows:

- Chapters from I to V by SRM;
- Chapter VI by Oliviero BACCELLI and Lanfranco SENN;
- Chapter VII by Ennio FORTE.

See page 195 for further details.

“Joins the sea that separates the countries”

Alexander Pope

Preface	9
Introduction	11

PART ONE ECONOMIC SCENARIOS, COMPETITOR ANALYSIS AND THE IMPACT ON INTERNATIONAL TRADE

Chapter I - International and national economic scenarios of maritime transport	17
1. Foreword	17
2. The new geography of world trade and its effects on maritime transport	18
3. Merchant shipping within the European economic scenario	39
4. The shipping industry within the Italian economic and territorial context	44
5. Conclusions	51
Chapter II - Competitiveness among ports: comparison between different regional systems	53
1. Foreword	53
2. The challenges of the Northern Range ports	55
3. The competitors of the Mediterranean basin	64
4. Analysis on the “Southern shores” of the Mediterranean Sea	71
5. Conclusions	79
<i>Focus - Global ports and urban development: findings from an OECD programme</i>	85
Chapter III - Maritime exchanges, number of companies involved, competitiveness indicators: analysis of statistics	93
1. Foreword	93
2. Italian maritime trade within the international context	93
3. Exchange analysis by product sectors	100
4. Italian regions: the importance of maritime transport for exports	101
5. Number of the Italian companies involved in the maritime sector	103
6. SRM's competitiveness indicator	105
7. Conclusions	108
Chapter IV - International Case Studies: future scenarios and arrangements of logistics	111
1. Foreword	111
2. Tanger Med: a competitor in the Mediterranean	112

3. Contship Italia: the strategies of major terminal operators	116
4. Maersk Italia: scenarios and alliances according to global carriers	120
5. Grimaldi Group: shipping at the service of the economy	122
6. Conclusions	127

Chapter V - Italian maritime businesses: analysis of characteristics and structural dynamics **129**

1. Foreword	129
2. Maritime businesses: main features	129
3. Budget analysis findings	131
4. Southern Italy enterprises: a comparison with the rest of the country	138
5. Financial and economic development of the industry	142
6. Conclusions	144

PART TWO ONGOING PHENOMENA AND FUTURE PROSPECTS

Chapter VI - Naval gigantism and new alliances in the container sector. Current status and future outlook **149**

1. Foreword	149
2. The drivers of growth of containerized traffic	150
3. The evolution of supply and the role of economies of scale	152
4. Forms of cooperation and the big alliances in the industry	155
5. The expected effects on port systems	159
6. The new relations between ports and hinterland, and the development of dry ports	161
7. Conclusions	163

Chapter VII - The development of Short Sea Shipping in the Mediterranean basin and the role of Italy and Southern Italy **165**

1. The new scenario of maritime flow	165
2. The change in the EU transport policy in relation to the role of the SSS has been from a Eurocentric model to a Euro-Mediterranean one	171
3. Framework of flows and trends	177
4. Conclusions	185

Bibliography	187
--------------	-----

Authors details	195
-----------------	-----

PREFACE

I am pleased to present the first SRM Annual Report on “Italian Maritime Economy”, one of the most important steps taken by the new Permanent Observatory on the Maritime Economy.

The inclusion with full rights of the themes of transport and logistics into SRM’s activities indicate how important their economic value is for Southern Italy and it also suggests that they are assets which are becoming increasingly desirable to invest in.

Often institutional policies focus on defining strategies for the industrial growth of the country, while not adequately sustaining them with logistics strategies. However, it is difficult to think that Italy aims to rely on exports and enterprises for the revival of its economy while it does not have an efficient and effective transport system which is able to move goods quickly around the world, in particular to inaccessible and far to reach markets.

We cannot forget that we are and we have always been a maritime country; we are located at the centre of the Mediterranean area with an enviable geographic position, our ports and shipping industry and their downstream activities still represent one of the economic symbols of Italy.

Nevertheless, if we observe the most authoritative rankings on logistics performance we only classify in an inadequate position. Only to mention one, it’s enough to know that in the recent 2014 World Bank Report, Italy only ranked 20th (out of 160 countries surveyed) and for years now has systematically ranked behind its main economic competitors: Germany (that ranks first), Netherlands, Belgium, Spain.

In this regard, it is necessary for serious reflection on the fact that these very nations invest in transport and logistics, which define their development and prove to be reliable industries. Our country on the other hand, is struggling to bring this industry – that could make a post-crisis economic recovery possible – back to the centre of its economic policy.

SRM strongly believes that, the recovery should start by investing in industries whose know-how is historically well-established and solid, in such a context we have to capitalise on the maritime industry and consider it an essential asset in an integrated logistics chain.

It is against this background that SRM has implemented this project on the development of our “blue economy” seen in the international context. An initiative that, among other things will integrate with the “Permanent Observatory on the Economic relations between Italy and the Mediterranean area” that since its birth in 2011 has already achieved excellent results. It should be noted that the seaborne import-export commercial relations with the countries of the MED area account for 70% of the total amount and our main competitor ports are those in North Africa.

In order to restore its competitiveness, Italy should streamline its bureaucratic system that now represents a serious obstacle to business investment; but we also need the certainty of the funds available for the growth of infrastructure, and to draft a proper planning for medium to long-term development of our maritime sector. In regard to

finance, the forthcoming EU resources deriving from the Agenda 2014-2020, if properly used, will be very significant.

The southern economy is still an economy where most of the attention should be placed on the solution of structural problems that still affect growth. However, these constraints must be addressed now more than ever, in view of a strategic approach to problems and taking into account an overall and systemic view of the interventions and development processes that are to be promoted.

A special thank you to all the research team for the successful completion of this important work which aims to make a contribution from SRM to all those who are working for an improving and widespread development in our area, contributing to make our nation more competitive in Europe, potentially with the south driving it forward as the main competitor.

Paolo SCUDIERI

Objectives and structure of the Annual Report

The first edition of the *Italian Maritime Economy* Annual Report represents the fulfilment of one of the objectives of the new research project that SRM inaugurated in 2014: the Permanent Observatory of the Maritime Economy.

This initiative has resulted in the portal www.srm-maritimeeconomy.com, a scientific website that aims to consolidate an issue that for years has been a matter of research for our study centre. We are well aware that the entire logistics chain, from the land (e.g. ports and freight terminals) to the sea (shipping), represents for Italy the asset that it needs to be competitive, and to ensure that the business system can become internationalised arriving to all areas of the world. The research which is presented, is the result of a year of analysis and monitoring of the phenomenon, and includes the most relevant technical work that we have carried out so far.

The decision to make Maritime Economy the “core issue” of our research was born from these among other assumptions. In recent years, we have realised that the Italian studies in this area are vast but yet devoid of a “think tank” that would put at the operators’ disposal – in a permanent and updated way – analysis, reflections and statistics on the infrastructure, business and on the most important indicators of the health of this sector. It would also shed a light on what are the knots and opportunities that should be focused on in accordance with opinion leaders. Intesa San Paolo Group is aware of this too and this is why it has supported the realisation of this project in order for it to develop and grow in the near future.

The South of Italy has always been at the forefront of our studies and especially in this initiative, here it is analysed that the vast and competitive environment represented by the countries of the Mediterranean basin, – especially by Spain, Greece and Northern Africa – and those, in Europe of the Northern Range; the Netherlands, Belgium and Germany above all. The southern region has in fact first class ports, freight terminals, logistics companies and ship-owners; elements which, if exploited could become the starting point of a long-awaited economic recovery.

At the heart of a country that wants to “be in Europe” and that intends to respond to the markets’ challenges there must be an efficient and effective logistic system; transport and logistics account for about 12% of world GDP and some countries have placed at the base of their economic success the construction of a top-notch – and especially maritime – logistic asset.

It is no coincidence if we have mentioned before some countries and the list is certainly not exhaustive, but these countries are becoming aware that having a strong industrial system is not enough; it must be accompanied by logistics, and in turn logistics have to definitely be maritime. For example, just to mention a few, Turkey along with Morocco and Tunisia has launched a similar major expansion plan of their port systems.

Therefore Southern Italy has to face some very aggressive competitors which are willing to invest, attract foreign investment, implement projects, invite the new giants of

the shipping world to settle in their port areas at a lower cost, being able to offer more and more specialised labour, adequate dock depths and less expensive tax systems.

The development of logistics cannot be an impromptu phenomenon, it should be of a value that requires short, medium and long-term programming of financial resources, both public and private, and meticulous strategic choices which are able to equitably support ports, rail and freight terminals, as well as anything else is required. Spain periodically launches its port development plans by allocating definite resources, the same can be said for Germany, and not surprisingly these nations have regulations designed to promote dredging, assigning storage and docking areas for terminal operators and global carriers that are increasing turning towards these facilities, where operations of embarking or disembarking are speeded up and there is a range of quality ground services.

Italy has not yet been able to realise full awareness of all this; our “maritime” legislation has to be redefined along with the timing necessary to provide infrastructure and financial resources for development, which is far from being well defined. Nevertheless some figures still have to be analysed: Italian maritime foreign trade amounts to almost 230 billion euros (2013); Italy imports and exports by ship a third of the overall value of these goods and the figures rise to two thirds if we only consider the southern regions. Italian ports handle over 10 million TEUs and 470 million tonnes of freight; in the Short Sea Shipping segment our country ranks first within the Mediterranean & Black Sea area for goods transported by vessels (over 240 million tonnes).

Through this project, SRM intends to contribute to the understanding of such a complex and constantly evolving phenomena. The maritime world travels fast, in fact, maritime-economic aspects should be continuously monitored and along with them the great changes that they may foster; last but not least, there are the alliances between large container operators who are generating the most diverse sets of acronyms: P3, G6, and CKHYE. What changes are about to be brought to the world port and logistics structures? The debate is still open.

The Annual Report is divided into two sections. The first part pertains more to the economic situation and analyses it in the chapters dealing with and gaining insight into the most recent data and the events of the last year. Observing trends in particular their various facets and incorporating, as is the SRM research style, information with the sentiments of the opinion leaders. The second part is composed of various monographs on more specific topics in which the working group has considered to dwell on in a more incisive way.

The first chapter provides an updated picture of the industry’s characteristics both within the global and European context, it also provides a detailed outline of its peculiarities and value in the Italian economy and regions, with specific reference to some distinctive aspects of the industry: e.g. the fleet, the volumes traded, routes and port traffic – with the most significant numbers regarding the economic impact of the industry. In fact, we have analysed the context in which we are operating.

In the second chapter the report shows the aspects related to maritime transport strategies considering benchmark areas such as / foreign countries; an analysis of the competitive environment in which the Italian port system is placed, also comparing it with the major ports in Northern Europe, in Med Europe and with the Northern African and East Med markets.

As regards to container handling, the Northern Range still maintains a powerful role although it has seen a reduction in its market share (from 46% in 2008 to 43% in 2013), against a significant growth of Mediterranean ports (from 35% to 39%) due to the development of the East Med ports and the construction of new facilities in North African countries; the market share of Western Med ports however is still stable.

The inquiry carried out in this chapter clarifies the structural differences of our ports, while identifying further aspects that represent essential important factors of competitiveness for other port systems. The third chapter predominantly statistical, analyses seaborne trade relations between Italy and the rest of the world; among the various means of transport available maritime is one of the most significant. China and the U.S. are the two main partners worldwide; while in the EU-28 Spain and France prevail, accounting for over 40% of maritime flows from Italy towards this area.

Interestingly the analysis of maritime exports at a regional level shows the “dependency ratio” of our regions on maritime transport, especially with regard to the support of the internationalisation of the local production systems. Looking at the export flows alone, at a regional level, it was also possible to see to which extent the trade in certain territories “depends” significantly on maritime transport, with values exceeding 40% for the Campania region and 50% for Liguria (Italian average 27.7%).

The fourth chapter focuses on four case studies concerning situations of international prominence related, albeit differently, to the maritime transport industry. This is to define the strategies of the major carriers and to identify the role that maritime transport occupies in the Italian economy by looking at the prospects for development within the European and Mediterranean context. All the operators interviewed have significant interests – current and future (as for Grimaldi, Contship, Maersk) – in various aspects of the logistic chain and in the southern territory, or are competitors of greater calibre (Tanger Med).

Specific issues were examined with them in order to outline a picture of the current situation, both with reference to the single operator and within a more general logistic system of maritime transport. In particular, we have examined in depth various aspects of ongoing projects and initiatives, the strategies and objectives pursued and the possible synergies with other operators. We have also tried to identify the main problems that may constrain the development of this sector in our country and accordingly, the proposals which are capable of overcoming them.

The fifth chapter aims at identifying the structural features, the entrepreneurial characteristics, the economic performances and financial assets of shipping industry companies, as well as making some observations on future developments, bearing in mind the effects and reactions that the crisis has had on the Italian business system. In order to accomplish these results an analysis of the financial statements of a panel of companies has been carried out, taking into account some financial indicators.

This year the second monographic part of the report has identified two main issues, considered topical and of strategic interest for the economy: 1) the phenomenon of “gigantism” and that of the new alliances between companies in the container handling segment. Current status and future prospects; 2) the development of Short Sea Shipping in the Mediterranean basin.

The development of naval gigantism is leading to the development of new port and commercial arrangements at an international level; the increasingly pre-eminent role of

alliances on the main routes (including the dreaded COSCO-China Shipping, and the P3, G6, CKYHE networks) is the shipping companies' response to the demand for lower prices and greater capability of the service, but this will clearly lead to the marginalisation of port infrastructures that are not ready to seize these giant carriers or have enough space available to store (and maybe process) containers. This chapter gives an account of all this by identifying the most important aspects and the changes currently taking place.

The Short Sea Shipping segment sees Italy as an absolute leader in Europe in the Med basin and in the Black Sea, prevailing on Spain and Greece which significantly aims at developing this sector too. The ability of our ship owning system and our fleet strongly oriented towards this type of shipping has consolidated this position. Southern Italy, with its ports also provides an important contribution accounting for more than 70% of the Italian "Motorways of the Sea". This is a sector in which we can and must aim at in order to ensure our country has an increasingly important role in the Med basin. New markets and the North African economies are an opportunity for our companies, and with a strong Short Sea system at their disposal they can increasingly contribute to the growth and development of international relations.

This report whilst not exhaustive in considering all the numerous implications that the maritime economy carriers, in this first volume SRM intends to add a further piece to the complex puzzle that characterises it, with the ambition to become over time a scientific and analytic benchmark in the sector.

I conclude with one last consideration; some estimates show that altogether container traffic to / from Europe should grow at an average annual rate of 5-7% in 2020 (compared to 2009). The Mediterranean and Southern Europe should increase in container traffic by 3.5-5.5% per year on average; thus, this growth, though not strong, may indirectly represent a warning to Italy which does not have to lose market shares anymore. These estimates are to be added to the findings of a simulation that SRM has performed in this research: If Italy succeeds in acquiring a market share of 3% in container traffic (on the total amount of containers handled by European ports) and in implementing active logistics processes for these goods, the turnover of Italian companies' could increase by more than 3.2 billion euros.

Our country has several choices to make, and especially in the area of maritime transport, it is at a crossroads. One road sees Italy taking on the role of a "mere observer" of the logistic phenomena taking place and of the opportunities to be seized; a country that cannot be a full protagonist in Europe despite its potential. On the other hand another road which is not without difficulties and obstacles, sees our country with the South as protagonist, fully aware of the economic relevance that a strong logistic system may have.

This report can make a contribution of ideas and reflections on these issues.

Massimo DEANDREIS

Italy has a maritime history and inclination, located at the centre of the Mediterranean basin. Italy has an enviable geographic position, it is provided with ports and a shipping sector that along with the whole chain connected with them, are – and will increasingly represent in the future – a strategic asset for the competitiveness of our economy. Yet there is still not a full awareness of all of this, which is why SRM always emphasises the Italian maritime sector value as a critical link in the supply chain; and this year it achieves this goal through the *Permanent Observatory on the Maritime Economy*, a new project and a natural result of years of research spent in the study of this field.

With the first edition of the *Annual Report "Italian Maritime Economy"*, SRM collects the findings of the monitoring carried out by the Observatory in 2014, and provides a detailed picture of the current global and European scenario. More in detail, the first part of the study – pertaining to the current economic situation – provides insights and statistics on infrastructure, enterprise and on the most important indicators of the soundness of this sector in relation to the international context. Also pointing out the sentiment of the opinion leaders and focusing on the role of the South of Italy, always central in our studies, especially within this initiative. Lastly, the second part includes technical contributions that enrich the volume on topics of current interest, such as the Short Sea Shipping, Naval Gigantism, and the alliances among major carriers.

This report ultimately aims at being a contribution to the understanding of the complex and varied world of the maritime economy, informing of the new routes towards which we hope Italy will eventually operate, in order to get a healthy and widespread development and thus becoming a competitive country, with the South of the country as principal player.

SRM

Research centre based in Naples, specialised in the analysis of regional economic trends with particular focus on Southern Italy (the "Mezzogiorno"), on the economic dynamics pertaining to relations between Italy and the Mediterranean, and on national and international maritime transport and logistics. SRM, born as an intellectual and scientific institution, aims to create added value in the social and economic tapestry, by leveraging improved knowledge.

www.sr-m.it

