

Italian Maritime Economy

Terminals, logistics and its players:
challenges from a pivotal Mediterranean position

2nd Annual Report

ABSTRACT 2015



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 the companies or individuals mentioned. All the interviews carried out for the case studies and whose text have 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.

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NOTES:

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- Chapter IV by Livia SIMONGINI;
- Chapter V by Enrico BERETTA and Andrea MIGLIARDI;
- Chapter VI by Bruna MARINANGELI and Antonio THOMAS;
- Chapter VII by Michele ACCIARO;
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PREFACE

The “Italian Maritime Economy” annual report has come to its second edition. It is the result of a one-year activity, which once again saw the research team – which I sincerely thank – engaged on this front which has now become strategic for our country.

The Mediterranean is not only a sea, a migration route – as it is too often sadly reported – it is also (and increasingly) a generator of economic growth and opportunities for Italian companies which hunger for the internationalization and thirst for new markets and businesses.

For this reason SRM has rightfully included this issue in its strands of research starting a specific Observatory. If a country wants to compete in Europe it has to guarantee to operators that its logistics assets are efficient and effective: ports, freight terminals, road and railway systems.

For Germany, Spain, Belgium, and the Netherlands, which are Italy's economic competitors, logistics is a permanent expenditure item in their development plans (either in the medium and long term) which include the financing and the investments for the primary and secondary infrastructures. And these are not the only actions they take.

By analyzing the University and Research system in the above-mentioned countries, we can observe that they feature world-class institutions, which deal with logistics and Maritime transport or institutions where these subjects are taught. This is a clear indicator of the development of the human capital which is encouraged, since school age, to understand what “maritime economy” means and what it is able to generate in terms of development and employment.

Programming, finance and human capital are a winning trinomial for the achievement of a complex system which starts with the companies of the dry port, arrives to the port and continues by sea, on the vessel, to reach the farthest destinations; this is the logistics-maritime industry.

We should not forget that Italy is and has always been a maritime country; located at the centre of the Mediterranean, with an enviable geographic position, our ports and shipping industry still represent one of the economic symbols of Italy. Italian maritime imports and exports accounts for € 230 million with 0.5 billion tonnes of cargo handled p.a. In addition, Italy ranks 1st in the Short Sea within the Mediterranean and Black Sea, and many other primacies could be listed.

And what applies to Italy is even truer for the Mezzogiorno, which represents a natural logistic platform in the center of the Mediterranean.

Furthermore, to the trinomial mentioned above another element should be added; it is the integration among infrastructures, commonly known as “intermodality”. This is another direction our country should move in if it wants to keep up its competitors’ pace. Italian infrastructures should be conceived as able to communicate with each other and to work in team so to make the system genuinely competitive. Hamburg and

the Northern Range countries set the standards in this regard, as our report clearly shows.

Therefore, it is necessary to start a serious reflection upon the fact that many countries in the North of Africa and the Gulf countries, for some years have invested to enhance their ports' infrastructure, like Tanger Med, Piraeus, the Turkish ports and those of the United Arab Emirates, which are pursuing very aggressive policies aimed at attracting investments and container traffic, while Italy finds it hard to give the maritime industry the major role in the economic policy that could lead the country to a possible post-crisis economic revival.

Italy should begin to think about what to invest in, and SRM firmly believes that one starting point could be investing in those industries for which Italy has an established and recognized know-how, just like the entire maritime industry.

Thus, the work to be done in the future implies removing the bureaucratic constraints; creating favorable conditions to attract foreign investment, giving certainty to the ports about the type and amount of resources available and, finally, finding mechanisms which encourage private organizations to manage infrastructure (given the now clear lack of public resources). These are only a few possible routes to follow.

The overt ambition to which our Observatory aspires is to become a point of reference for operators, institutions, industry associations, and clearly, for the banking sector – of which SRM is an expression – by providing ideas, analysis and reflection which may offer a contribution in the understanding of the greatness and importance of the maritime sector for Italy. With the South acting as a protagonist.

Paolo SCUDIERI

Objectives and structure of the Annual Report

SRM's Observatory on the Maritime Economy formulated in 2014 as a research project rooted in the study center's know-how on ports and logistics, with the aim of monitoring and analyzing the dynamics of maritime transport, infrastructures and large economic phenomena which are shaping the world geography of naval and commercial flows.

In order to strengthen our center's ability to analyze and be closer to the industry's operators we began to incorporate research partners with a strong international presence (Grimaldi Group and Contship) in the Observatory project. Simultaneously, we have launched a series of specific research missions abroad to have cognizance of the models of port management and to understand the way other countries conceive logistics so as to clearly identify which infrastructure projects are being realized and what economic impact they will produce.

In the first half of 2015 SRM's researchers stayed in Hamburg to study one of the most successful in Europe, with carriers that constantly berth and operate on the docks unloading and loading cargo and containers. The port, entirely located in the Elbe's channel operates a model which strongly addresses road and rail intermodality; the tractor trailers continuously go in and out of the terminal and reach the highway and the trains departing arrive later full of containers. A real excellence as regards intermodality and megaship hosting; during the mission the CSCL Globe a 19,000 TEUs vessel was at berth in the port of Hamburg, along with it there were Hapag-Lloyd and Hanjin Shipping with 15,000 TEUs vessels. In Hamburg SRM signed a partnership with KLU-Kühne Logistics University which resulted in the conjoined realization of this Report and will be followed by other initiatives.

This mission was followed by that in the Suez Canal which is being doubled; an enormous engineering work which is about to change the Mediterranean maritime scene. Subsequently, SRM's researchers visited the port of Tanger MED, one of the largest hubs in the Mediterranean which exceeded 3 million TEUs in 2014 and is earning a chance to become the point of reference for terminal and naval multinationals, also thanks to the considerable investment made by APM Terminals and Eurogate in innovation and port and logistics infrastructure.

Among the keys to its success the port includes a "light" bureaucracy, substantial funds allocated by the Government and the Free Zones which attract investments and guarantee customs, fiscal and administrative reliefs.

Additional investments will be made in the coming years in the ports of Casablanca and Nador as well. The Nador West project, in particular, involves the construction of a port with a capacity of 3 million TEUs, 25 million tonnes of oil, 7,000,000 tonnes of coal and 3 million tonnes of cargo. In addition, next to the port there will be a Free Zone and a commercial and industrial area. By accompanying the Tanger MED port with Nador

West, Morocco aims at becoming the largest logistics hub in both Africa and in the Mediterranean.

The last mission took place in the UAE and included a series of meetings between researchers and manufacturers and the logistics-related sectors. This country too considers the port economy as a pivotal element in its economic assets along with the Free Zones. The fact that DP World, one of the largest terminal operators in the world, runs in the port enriches with its know-how and professionalism an already successful logistic structure.

The relationships between the Mediterranean and Gulf countries are increasing more and more: the southward passages in the Suez Canal directed to the Gulf enlarged by 339% over the last 14 years, in the same period, the northward passages from the Gulf increased by 175%. All of them amount to over 320.9 million tonnes of goods; a number that expands year after year and is reaching enormous dimensions. Actually, it is one of the main routes followed by the ships passing through the Canal. Therefore the so-called Gulf area is increasingly taking on a strategic position in world trades.

We must not omit saying a few words on the Suez that we have just mentioned; the project for the enlargement, which will also imply the doubling in the number of ships which pass daily through the Canal is intended to propose Egypt as a point of reference in the international port and logistics scene. In terms of turnover, it goes well beyond the increased cash flow deriving from the tolls; the enlargement will be coupled with projects regarding manufacturing, logistics and ports and this may represent an opportunity for companies while for the other ports of the Mediterranean it could offer encouragement to compete for enlarged traffics and maintain market shares.

The results of this mission – both in terms of research and analysis – are condensed in the pages of this rich Annual Report and contribute to define clearly the key message, which we would like to point out: Italy must urgently make operational and tangible choices. We have hitherto discussed about intermodality, Free Zones, port investments and attraction of capital; these are some of the most critical issues which should drive the institutions and all the relevant players. Logistics and port industry, in fact are full of opportunities to grasp but they are also becoming increasingly competitive. Building awareness of the strategic importance of the entire maritime economy – whether on the ground (dry port, port, shipbuilding, logistics) or at sea (shipping maritime operators) – and effectively taking care of the whole industry is now necessary. Italy possesses all the assets to achieve this task and it should deploy them.

In this sense, the Report intends to take stock of the situation of the Italian maritime economy within the competitive Mediterranean context. More in detail, the Report is divided into two parts: the first part concerns the reference scenario while the second represents a monographic part about logistics integration.

As for the first part, chapter one offers an updated picture of the features of the world and European maritime industry also investigating the peculiarities and the value of the sector within the Italian territory with a particular reference to some distinctive aspects of the industry, such as its fleet, handled volume, routes and traffics and including the figures of the economic impact this sector has on the entire national economy. Another very significant phenomenon, which SRM continuously monitors, is that of the alliances between megacarriers. In fact, we have analyzed the context in which we are operating.

In chapter two, the Report shows all the aspects concerning the strategies in maritime transport lingering on two drivers for the development of the port system: the Free Zones and the Terminals. The inquiry carried out in these pages highlights that the implementation of these initiatives in some ports made them more competitive also attracting foreign investments, creating jobs, raising the exports, fostering the creation of new companies, and attracting knowledge, competence and technology to the country.

Chapter 3, with a more statistical tone, analysis Italian maritime trades with the rest of the world. Among the different transport modes available, in fact, the maritime one is one of the most significant as it accounts for 30% of the total, while in the Mezzogiorno it reaches more than 60%. Moreover, an insight considers the analysis of Italian sea trades with three large geographical areas, which are for several reasons ascribable to some of the world's main shipping routes. The analysis, in particular, hinges on Italy's exchanges with the Mediterranean area (also comprising Germany, Belgium, the Netherlands, Spain, Turkey and the countries of North Africa), with the Americas (United States, Argentina and Brazil) and with the area comprising China, India and the Gulf countries.

Chapter 4, edited by Prometeia, focuses in the economic effects that could be brought about by the signing of a free exchange agreement between USA and EU: The United States is the third largest market for the destination of Italian exports to the Center-North and the South alike and for both macro-areas, but especially for the second, the sea is the preferred mode of transport for such trade flows.

In June 2013 negotiations between the United States and the EU initiated with the aim of drawing up a trade agreement, known as the TTIP (Transatlantic Trade and Investment Partnership) which facilitates the exchanges between the two areas. The process leading to the final agreement is still ongoing; it is estimated that such agreement could increase Italian GDP by 0.5%.

Chapter five was edited by Banca d'Italia, in particular by its branch of Genoa which features a research team that often collaborates with SRM in the research projects. The work is based on a study carried out by Banca d'Italia in which a panel of manufacturers took part. The chapter points out that transport fares are the most critical issue in the industry, particularly in the southern regions and for manufacturers. The following criticalities include the availability and quality of transport infrastructures and the congestion which hinders the access to the large urban centers. According to the inquiry, the cost of logistics, on average, accounts for 5.7% of the total cost incurred by manufacturing companies.

Chapter six, containing the essay by Professor Antonio Thomas and Professor Bruna Mariangeli, deals with maritime investment funds. The study intends to monitor the interest shown so far by a specific type of institutional investors i.e. Italian mutual funds in supporting and financing maritime companies, especially maritime transport companies. This latter now also comprises port logistics and transport-related activities by virtue of the trend of maritime companies to expand the range of horizontal, vertical and cross services offered.

To the first six chapters of the Report a monographic part follows; elaborated in partnership with KLU (Kühne Logistic University of Hamburg) and CERTeT-Bocconi. It is a deep analysis of the role of public policies supporting railway intermodality as a

competitiveness element for the port industry and a mitigation of the environment, which affect the connections between port and city center.

The part is introduced by a series of reflections about the role of ports within integrated logistics systems and the institutional governance models, which can enhance or penalize it. The policies here inquired are those regarding the Port Authorities but also those of Regions and States (according to the different administrative levels and to the institutional context). The scope of the analysis includes the European Southern Range and Northern Range.

The study is structured so as to address the issue from a methodological point of view, taking into account technological and organizational evolutions of the port industry caused by the significant growth rates of traffic unitized (container and Ro/Ro) and then to address the operational and management issues, which differ according to the context of the railway network system.

The report closes with the identification of the solutions to overcome the principal criticalities, which especially in Italy reduce significantly the potentiality of use of railway transport for the shipment overland of port traffic.

The ultimate objective is to provide policy indications and to identify from significant experiences some elements, which can be borrowed.

Finally, the monographic part is supplemented with the interviews – published online – reports the results of a scientific mission carried out by SRM in Hamburg in order to have understanding of the strategies and problems affecting the maritime sector of Germany, which is considered one of the top European country as for maritime logistics.

I wish to end the introduction to this volume by thanking SRM's researchers and project partners which believe in us and in this experience we have undertaken, and thanks goes to all the authors who contributed to give this research an added value.

I also wish we are offering a practical support to those who are convinced that the development of maritime transport and logistics economy is a priority for our Country. The challenge remains open.

Massimo DEANDREIS