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Italian maritime businesses Analysis of characteristics and structural dynamics

The SRM's Permanent Observatory on the Maritime Economy publishes a new report in the "Private Finance" Series. It is extracted from the fisrt Annual Report "Italian Maritime Economy. New routes for growth". This report identifies the structural features, the entrepreneurial characteristics, the economic performances and financial assets of the shipping industry companies. Moreover, it makes some observations on future developments, bearing in mind the effects and reactions that the crisis has brought about in the Italian business system.

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Introduction

The report starts with a brief review of some of the characteristics of the industry, we analysed the Italian transport companies' budgetary data in the period 2010-2012 using the AIDA database. These companies are classified under the ATECO 2007 code '50': i.e. maritime transport and inland water; the primary business considered is merchant shipping activities[1] while passenger transport is only partly examined[2].

The dissertation takes into account the dimensional characteristics of the companies putting the stress on the major companies in terms of revenue, as they are considered the most representative for their economic relevance. As a matter of fact, this industry for its structural peculiarities and its high capital intensive features has a very concentrated market.

The analysis took into account both the national and the southern level, highlighting any existing differences, according to a geographical approach that tends to point out the growing role of the south. Note that that the inquiry concerns a specific economic environment well outlined in the previous chapters and therefore not described again in this chapter.

Finally, we trace the evolution lines through a prospective analysis carried out with the use of certain development indicators.

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[1] This includes the following segments:

- Dry bulk and liquid bulk cargo for tankers respectively for solid or liquid cargo, with top loading through shovels, cranes or pumps.
- General cargo or container ships for bulk carriers with load placed also on the bridge.
- Liner for Ro-Ro (Roll On-Roll Off) rolling stock.

[2] In passenger transport is divided into the following segments:

- Passenger transport on fixed and short routes - Ferries.
- Transport passengers on long routes flights and advanced services - Cruise.

Maritime businesses: main features

The shipping sector in Italy appears to be particularly concentrated. In fact, considering the distribution of the number of enterprises by number of employees, the business with the lowest amount of workers is the most numerous. In particular, companies with fewer than 10 employees account for 88.1% of the total. These same companies in terms of turnover account for 6.2% of the market.

The result is that large companies – i.e. those with more than 250 employees, representing 1.3% of the industry – achieve as much as 66.3% of turnover. It is a peculiarity of maritime transport since, if we also consider the total economy, the businesses with more than 250 employees total 0.1% in terms of number of companies and 31.7% in terms of turnover.

Shipping is indeed a high capital intensive business i.e. it requires substantial investments in facilities and this involves huge funding, also due to the growth processes that have affected the industry such as the phenomenon of naval gigantism or the specialisation of facilities for the transfer of goods.

It is no coincident that on a total of 2,024 operating companies until 2013, as many as 31.3% are corporations as against 19% of the total economy; the result is a predominance of more structured legal forms.

It is interesting to note that in recent years, partly as a result of the crisis, there has been a compaction of businesses in the smallest size class, in fact the number of small firms has increased from 84.8% to 88.15, a +3.2 percentage points against a decrease in the other clusters.

Distribution of shipping companies by number of employees

	2008	2011	var p.p. 2008-2011
0-9	84.8%	88.1%	3.2%
10-19	5.7%	4.5%	-1.2%
20-49	3.6%	3.5%	-0.1%
50-249	4.0%	2.7%	-1.3%
250 and more	1.9%	1.3%	-0.7%
Total	100.0%	100.0%	0.0%

Table 1 - Source: SRM elaborations on Istat data

Distribution of shipping companies' turnover by number of employees
Comparison between shipping industry and total economy

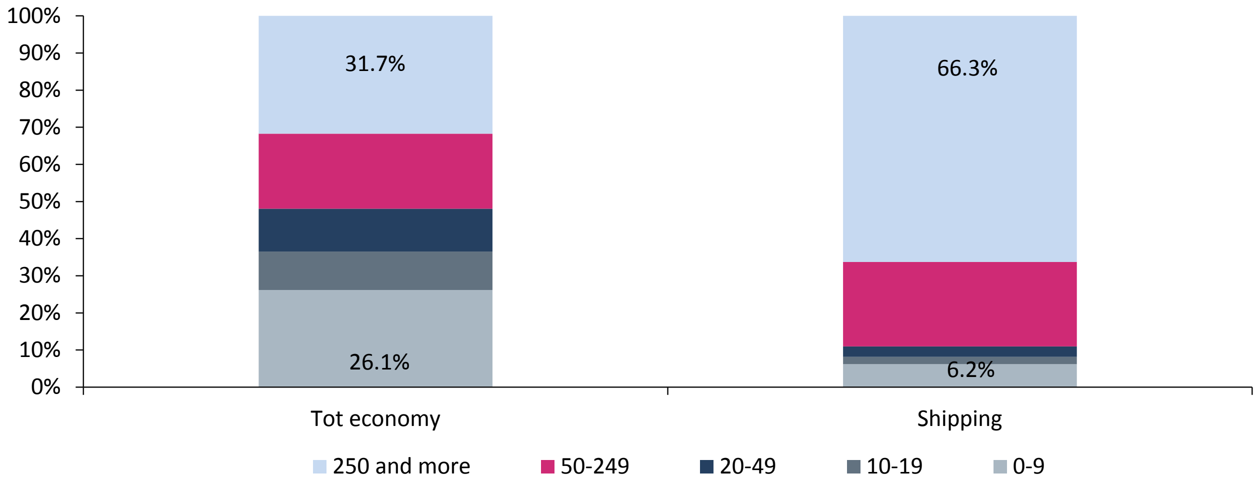

Figure 1 - Source: SRM elaborations on Istat data

The analysis of the trends referring to the number of maritime businesses in the period 2008-2013 shows an increasingly declining growth until 2012, this is even more severe if we consider the more structured companies such as corporations. In the past year instead the variation remained constant with some improvements, particularly in the case of corporations. Compared to the total economy where business growth has been negative, it should be noted that in the shipping sector, it has always remained positive thus confirming its strength.

Change in the number of active companies. (Change from previous year)
Comparison between shipping industry and total economy

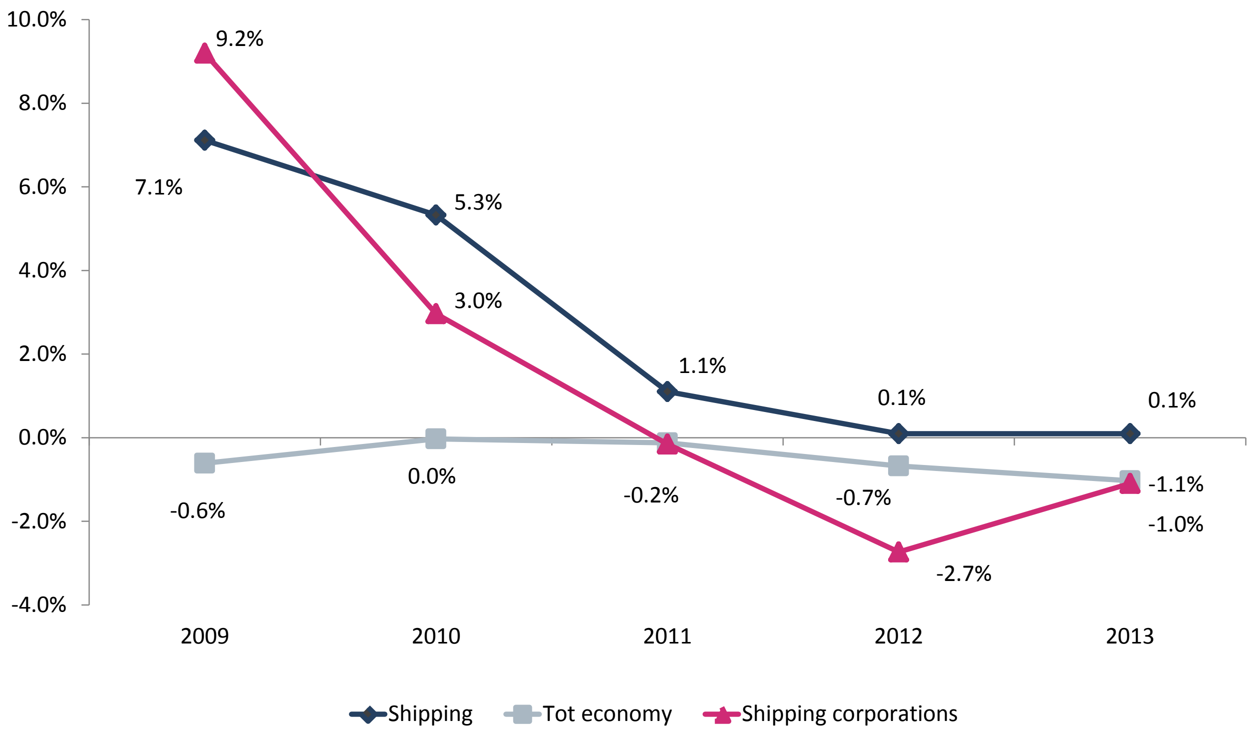

Figure 2 - Source: Elaborazioni SRM su dati Movimprese

Budget analysis findings

Given the economic importance of the major maritime businesses, budget analysis has been carried out on a sample with a turnover > 10 million euros in 2012 and a continuity of the turnover in the years 2010/2012.

These companies account for 16% of Italian shipping companies and cover as much as 92.3% of the market (in terms of AIDA turnover). Similar features are found in the southern sample where 92.6% of the turnover is concentrated in 18.5% of large companies.

On the sample thus obtained we calculated the profitability, liquidity, solidity and financial ratios to include on the one hand the production structure of firms and on the other its trend.

Market share and numbers of turnover clusters (000 euros)
Shipping companies. Year 2012

	Italy		South Italy	
	% Companies	% Turnover	% Companies	% Turnover
<=500	43.4%	0.4%	42.6%	0.4%
from 500 to 1,000	10.2%	0.5%	6.9%	0.3%
from 1,000 to 2,000	9.1%	0.8%	7.9%	0.6%
from 2,000 to 5,000	15.0%	3.2%	16.7%	3.3%
from 5,000 to 10,000	6.4%	2.8%	7.4%	2.9%
> 10,000	15.9%	92.3%	18.5%	92.6%
	100.0%	100.0%	100.0%	100.0%

Table 2 - Sorce: SRM elaborations on Aida data

Economic analysis

The international economic crisis which culminated in 2008, branches off to the upstream and downstream activities of each market sector i.e. manufacturing and industrial, also involving transport.

There has been a sharp decline in consumption and in the related transport companies, which led to a greater difficulty to achieve the break-even point. On the one hand can be seen the evident decrease in volumes, and on the other an excess of transport capacity consequently affecting fixed costs.

The accounts of Italian companies in the shipping sector clearly reveal that in 2010 the after effects of the crisis were felt on the enterprise system. In that year the rate of revenue growth reached negative levels equal to -2% but it recovered in 2012 growing by 3.5%.

Compared to the total number of firms, large ones have been better able to cushion the effects of the crisis remaining quite stable in 2011 and growing by 4.5% in 2012.

Turnover trend of Italian shipping companies (000 euros)

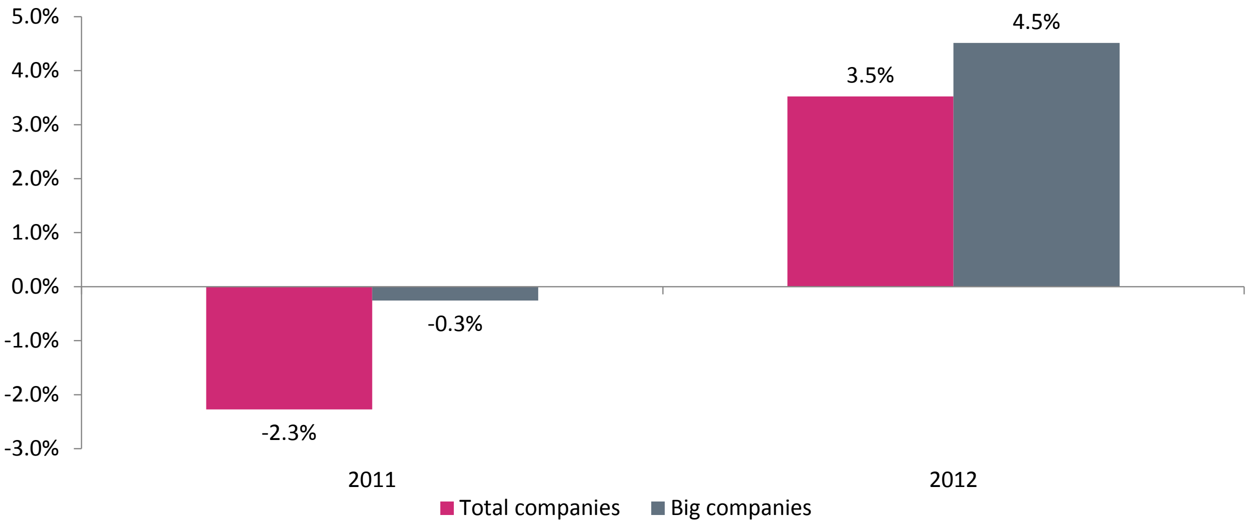

Figure 3 - Source: SRM elaborations on Aida data

Therefore size plays an important role. According to some studies there is a positive relationship between economic growth in the size and competitiveness because dimensional growth manages to achieve economies of scale, more efficient supplies, innovation, market outlets with a higher value added, more opportunities to apply effective industrial policies, but this doesn't imply that small business cannot be competitive and attain the benefits of large businesses through the development of aggregations and networks.

Despite dimensional strength, large companies have also experienced a drop in profitability due to the limited growth in revenues and the higher operating costs.

Oversupply in shipping generate high drops in the rates of transport and contrastingly, high unused storage capacity.

The analysis of the overall profitability of equity (RoE) show that it has undergone a major decline in the years 2010/2011 passing from 8.1% to -3.0%. In 2012, however it has remained almost stable, -3.2%, maintaining the minus sign.

Core business profitability was also affected by negative RoI in 2010-2011 and by a slightly positive one in the last two years, returning to a positive 0.3% although 2010 levels have not been recovered yet.

This decrease is primarily the result of less profitable sales (operating income compared to sales revenues-RoS) from 9.4% in 2010 to 1.1% in 2011 and 0.6% in 2012 while the return of the capital invested has slowed down due to the peculiarity of the sector (ratio between sales revenue and total financial resources invested in company-Rot).

Italian large shipping companies profitability ratios

	2010	2011	2012
RoE	8.1%	-3.0%	-3.2%
RoI	4.1%	-0.5%	0.3%
RoS	9.4%	-1.1%	0.6%
Working capital turnover	0.44	0.42	0.46
Operating Income/Sales	8.0%	-2.9%	-2.9%

Table 3 - Source: SRM elaborations on Aida data

The study of the concentration of business by RoS clusters reveals that in the period 2010-2012 there has been a continual growth in the percentage of companies with operating losses, which reached 42.6%, the largest cluster, and a continuous decline in those with a RoS> 15%. This situation confirms the economic difficulties that the sector is going through.

Distribution of Italian large shipping companies by RoS

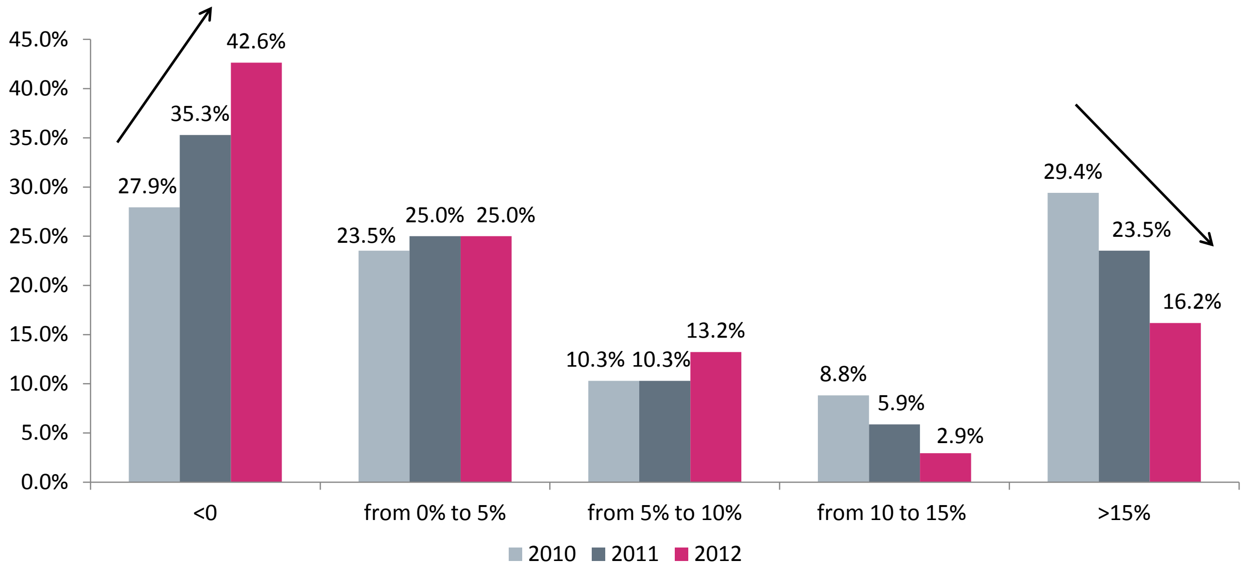

Figure 4 - Source: SRM elaborations on Aida data

To improve sales performance it is necessary to compress costs to improve business efficiency since operating exclusively on rental rates in order to increase revenues would be counterproductive because it could cause a further decline in service sales.

In fact, the sea shipping business often does not allow a service differentiation and the standardisation that characterises it induces companies to set up their own competitive advantage on production cost containment that do not show any flexibility.

In this regard, it should be pointed out that the cost of seagoing services includes a series of charges of different kinds necessary to maintain the vessel in a seaworthy condition. Among them we find those operating costs that are often almost fixed as crew costs (personnel costs), insurance, repairs and ordinary maintenance, supplies (lubricants, aircraft stores), general expenses (administration and accounting). To these it must be added the costs of travel that are purely variable as incurred only if the ship is operational i.e. fuel, port charges, fees for crossing channels.

Finally, there are capital costs i.e. the costs incurred for the purchase of new or used vessel that depend on the price of the ship and on the characteristics of the application for funding.

The cost of shipping is characterised by a significant stiffness due to a high incidence of fixed costs, such as those of the crew. Consequently, it becomes important to act on the storage capacity and hence on the ability to exploit the system because it allows opportunities for profits to increase.

In this regard among the most used strategies there is the savings in fuel costs by lowering the cruising speed, while in recent times we find the reduction of unused stowage, or if there are financial assumptions, the increase in large-scale units to achieve more economies of scale.

The economies of scale, as it is well known, reduce unit costs; on a giant ship container which costs less but it should also be considered that the rate of filling the hold, that is, the ability not to sail an empty or half-empty ship.

A 10 thousand TEUs ship charged to 80% has a lower unit cost than a 6000 TEUs ship, but if the rate of filling the former drops to less than 60% the benefits are lower, transforming a point of strength, i.e. size, into weakness.

Also, it should be considered that as ship’s capacity grows crew costs decrease but maintenance, repair and insurance costs raise.

Even non-operating incomes, analysed by comparing net income and operating income (we then consider the interest expense, financial events, extraordinary events and taxes) had a negative impact on the enterprise profitability by consuming the profit margins from operations, which, in Italy, are already low when not negative: turnover overall profitability worse compared to the operational profitability (-2.9% in 2012 against 0.6%). This situation is also affected, as we will see later on, not only by financial management (financial charges increased by 19% in 2011 and 2% in 2012), but also by the extraordinary management.

Financial analysis

Financial management is an important aspect of the sector, encompassing all decisions on capital resources both in relation to financing and to investment. It has become strategic especially in recent times as a result of the evolution of the reference market, more and more complex, variable, globalised and competitive.

The principal task of finance is to create a balance between loans and investments. In shipping companies this means to plan and control the financial requirements to ensure resources meet payment deadlines and to plan investments for acquisitions and renewals of the plants.

The financial structure of companies is characterised by an under-capitalisation (share capital to 2012 was 9.9% of total loans), due mainly to the increased difficulty in attracting venture capital as the increased exposure to market fluctuations makes the trends of profitability erratic and often do not guarantee a fair return for the capital provided by third parties.

Changes in the structure of financing of Italian large shipping companies

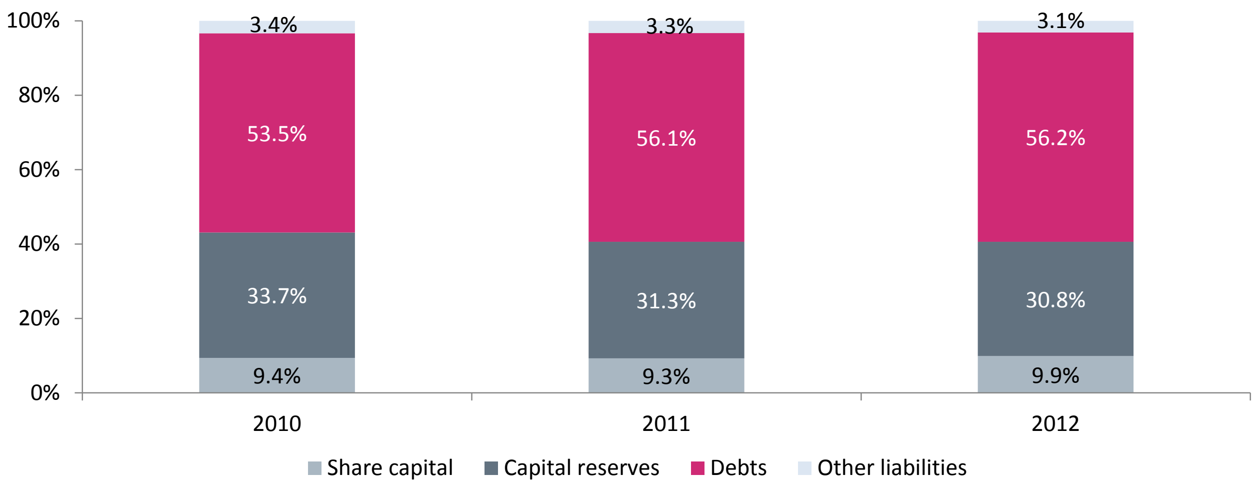

Figure 5 - Source: SRM elaborations on Aida data

It follows, therefore, that the financial composition of companies are prone to the use of borrowed capital and in particular to the exploitation of the leverage.

The examination of its evolution over the period 2010-2012 shows a growth of the debt burden and a reduction of net equity and other liabilities.

The increase in financial expenses is due therefore to an increase of debt. More specifically, there was a general increase in leverage (Total investment over net equity) for the period 2010/2011 (from 2.36 to 2.46), which remained constant over 2012. This mostly concerns medium and long-term debts whose incidence is growing year by year.

If one considers the different types of debtors it is clear that compared to 2010, there has been a reduction in the impact of debts due to banks (from 76.3% in 2010 to 73.8% in 2012) in respect of which the impact of debts due to suppliers increases (from 8.7% to 9.5%) and in general, that related to the other debtors.

By analysing the ratio of fixed assets coverage we can find a balanced structure since it is unable to fully cover the permanent capital (equity capital and that of third parties) investment in fixed assets. This index remained almost stable over the period under analysis (1.25 in 2010, 1.27 in 2012).

The rigidity of the financial structure is related to assets connected to the decision of making investments on the ship. However, it is also important to have temporary assets with high mobility, especially when the return on the capital invested in liquid form is very slow as in shipping companies.

In this regard, in 2011 the ability to cope with short-term debt using the short-term availability was unsatisfactory. It is important, to temporally match the availability of resources with payments from current operations (such as those represented by the bunker, the salaries, etc.). Nevertheless, in 2012 there have been improvements in short-term solvency.

The calculation of stock turnover ratio is interesting to understand the number of times during the period considered, in which total renewal in the company takes place, allowing the company to recover the financial resources invested. In this regard data shows that after a slowdown in 2010 partially due to the market demand, and an index growth that arrives at 24.49 in 2012.

Analysis ratios by sources of funding of Italian large shipping companies

	2010	2011	2012
Leverage	2.32	2.46	2.46
Medium and long term debts / tot debts	68.8%	66.4%	71.2%
Incidence m-l term / tot funding	36.8%	37.3%	40.0%
Index of global coverage of fixed assets	1.25	1.21	1.27
Current test ratio	0.99	0.85	1.03
Rotation index of stock	22.29	18.42	24.49

Table 4 - Source: SRM elaborations on Aida data

Debt composition in Italian large shipping companies

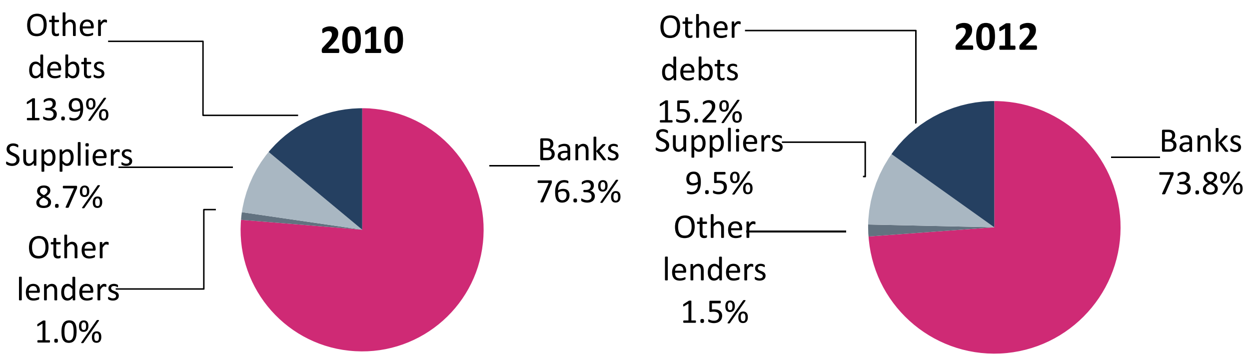

Figure 6 - Source: SRM elaborations on Aida data

As for the composition of the assets, it should be noted that shipping is a capital intensive industry, whose investors are banks, investment funds (private equity or infrastructural equity), major industrial groups, and especially in emerging countries, companies wholly or mainly controlled by governments.

The analysis of the investment structure in fact shows that shipping companies are characterised by a rigid structure; significant investments are made in technical-productive (fixed assets) assets which assume a greater importance than current assets. The gradual need for capital to invest in 'immobilised' assets led to an ever-increasing debt with the banks, resulting in underfunding.

In the period 2010-2012 there has been a slight reduction in the incidence of property, which dropped from 63.5% in 2010 to 62.8% in 2012.

Changes in the structure of investments of Italian large shipping companies

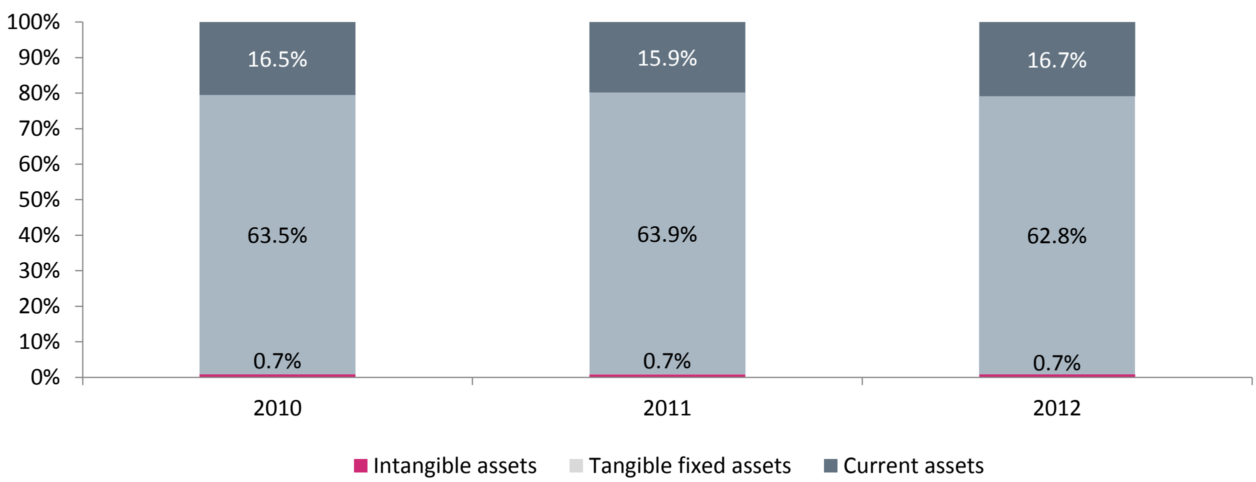

Figure 7 - Source: SRM elaborations on Aida data

CThe trend over the period 2010/2012 is different though. Investments have grown over the 2010-2011 period by 3.5%, in particular, tangible assets grew. However, in most cases the crisis, has interrupted ongoing investment plans or has stuck those budgeted for 2012 also influenced by the restriction of trade finance. As a matter of fact, in 2012, investments suffer a -3.8% decline, in particular, intangible assets reduced by 5.6%.

The analysis of the evolution of the overall capital structure of the shipping sector reveals then, as for the composition of liabilities, that companies have increased debt, while for assets, they have slightly decreased the degree of 'rigidity' of the company's structure.

Just as with the operational management, financial management was affected by the crisis too, making the explanation of that function even more difficult.

The fall of freight rates reflected in a decline in the selling prices of new ships, creating a gap between the prices established for contracts prior to the crisis and the amounts recognised for assets upon delivery.

The consequent difficulties were partly overcome with a larger share of equity by ship owners. But this was not always possible and so often there were cancellations of orders (and, in more extreme cases, bankruptcy).

For such a process, focusing on the reduction of costs and therefore on naval gigantism, considerable sums are needed, so the industry requires credit for investing in new ships, more competitive and more technologically advanced.

Southern Italy enterprises: a comparison with the rest of the country

In terms of geographical distribution, the south is an important reality for the sector. In particular, companies represent over 50% of Italy, both in terms of size and turnover.

The southern market, like the national one, is concentrated. Businesses with a turnover of greater than 10 million euros (AIDA sample) represent 18.5% of the total, but in terms of turnover it reaches as much as 92.6% of the market share.

Such a massive presence of companies in the area is due to the deep-rooted and historical tradition that has become the local mission and has fostered the development of entrepreneurial skills and flexibility in the use of production factors. Southern companies have grown and have established as a significant reality, sometimes comparable to the productive districts of the north.

In reference to the analysis of profitability in the south, the index values of the large shipping companies (turnover> € 10 million) are higher than the national values. This confirms the importance of this market as promising good income results, could become a more contestable market.

A worsening in profitability in the south can be found in the performance of its indexes, in line with the findings at the national level especially in the period 2010-2011, while in 2012 the improvement of Italian maritime companies' profitability is not confirmed even also in the south.

More in detail, by analysing the overall profitability on equity (RoE) there has been a decline in the years 2010/2011 from 9.1% to 1.6%. In 2012, this ratio has instead continued to drop, when the national average was almost stable. However, the decline in the south was not so intense as to reach a particularly poor value (-0.1% vs. -3.2% in Italy).

The trend is altered both by the profitability of the core business with a negative RoI, over the period 2010-2012 due to a continuous decline in the return on sales (operating income compared to sales revenues-RoS) from 13% in 2010 to 0.9% in 2012, and by the management of non-operating incomes (comparison between net income and operating income).

Profitability trend in large shipping companies comparison Italy – Southern Italy

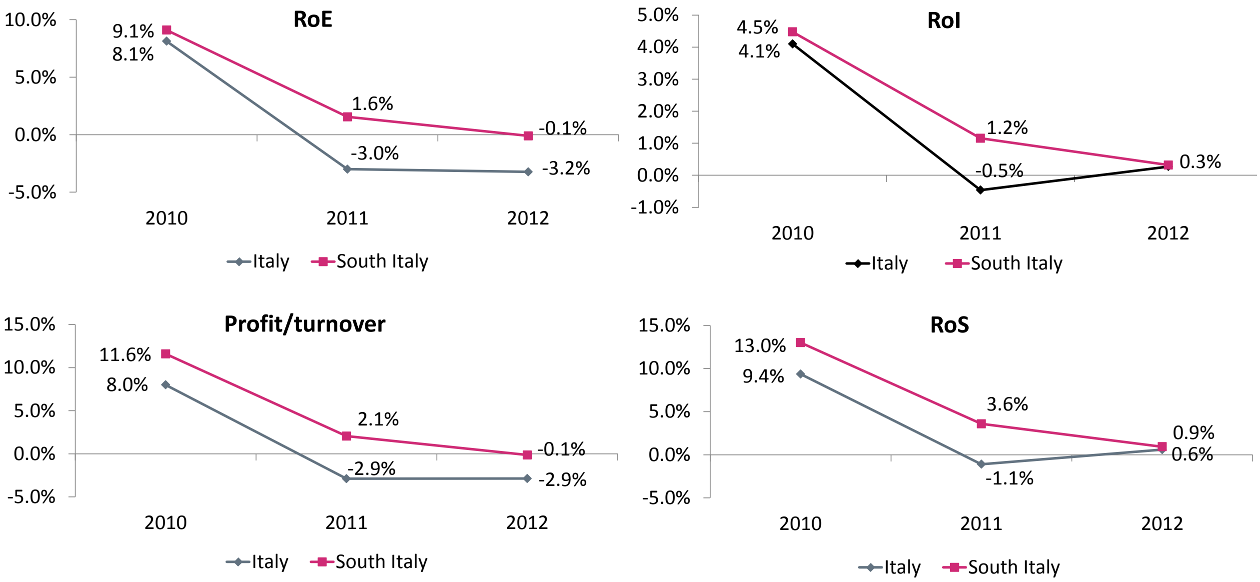

Figure 8 - Source: SRM elaborations on Aida data

Focusing on the concentration of companies by Ros it can also be observed that for the south, over the period 2010-2012, a continuous and significant increase in the percentage of firms operating with losses took place, reaching 48.6%, the largest cluster, and it also confirmed the continued decline of those with RoS> 15%.

Distribution of large shipping companies by RoS clusters
Comparison Italy – Southern Italy

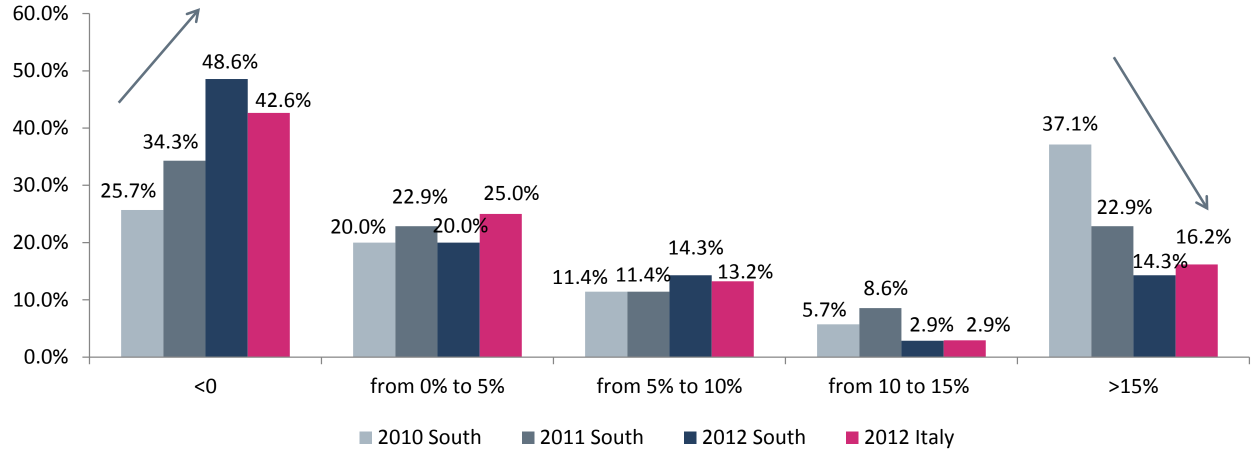

Figure 9 - Source: SRM elaborations on Aida data

Compared to national figures, the south is characterised by a higher concentration of companies with negative Ros, 48.6% against 42.6% in Italy, due to their greater decrease (22.9 against 14.7% in Italy). A difficulty in the income management is therefore quite widespread.

In addition, there has been a lower presence of the best performing companies which represent in the south 14.3% and in Italy 16.2%; hence this means that a large number of southern companies no longer belong to this cluster of profitability (compared to 37.1% in 2010).

Turning to the composition of the financial structure, it was also observed for this geographic area, a significant role was played by debt. However, compared to the national organisation the south is characterised by a lower debt burden and by increased capitalisation.

In particular, the impact on the total financing debt accounts for 55.2% against 56.2% in Italy, while the total capital reached 34.9%, while in Italy 30.8%.

The increased capitalisation of companies in the south is due, on the one hand, to the strong tradition rooted in the real economy which raises, in a sense greater security for private investors, but on the other hand to an increasing presence of well-structured multinational firms who manage to combine the factors of competitiveness within this sector.

Capital structure of large shipping companies
Comparison Italy – Southern Italy

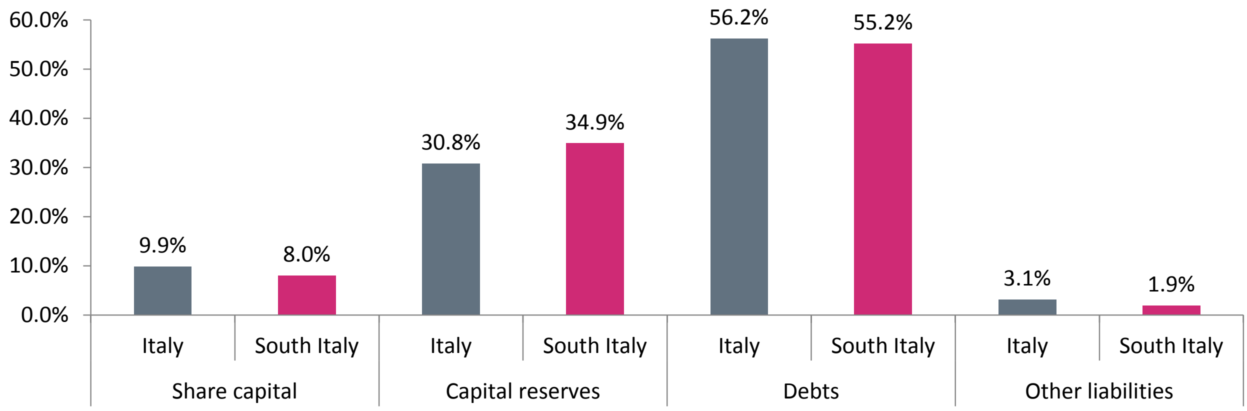

Figure 10 - Source: SRM elaborations on Aida data

However, during the period 2010-2012 the capital structure of the southern carriers saw a reduction of capital resources and a growing debt.

In particular, the incidence of debt has increased by 1.4 percentage points, certainly a considerable value but lesser than the national average (+2.7%).

Trends in the capital structure of large southern shipping companies

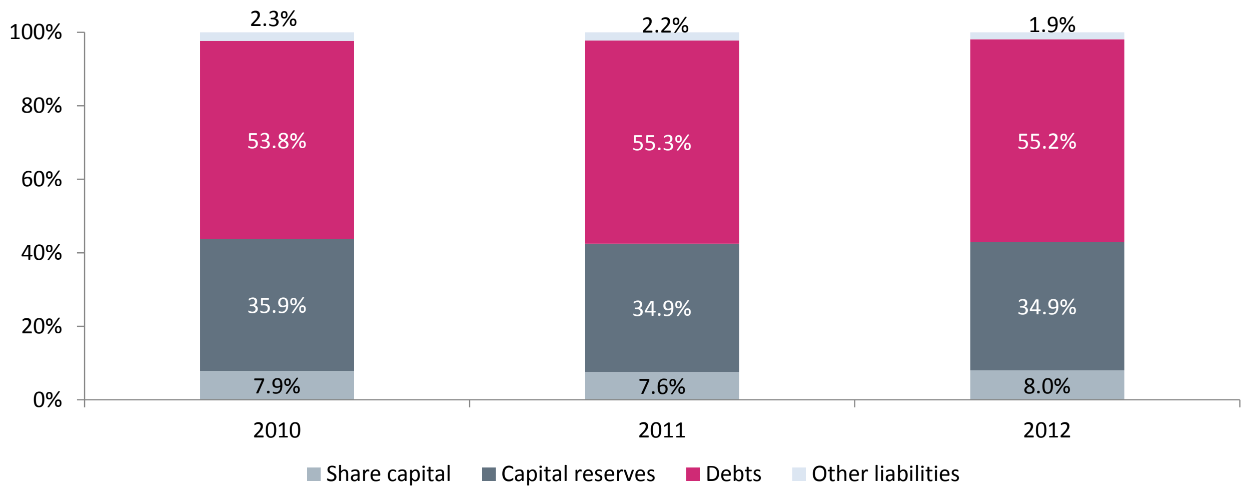

Figure 11 - Source: SRM elaborations on Aida data

The composition of debt by type of creditors, shows that banks are the primary creditors and bank debt's impact on the total is slightly higher than the corresponding national figure (74.8% versus 73.8%).

Debt composition in Italian large shipping companies
Comparison Italy – Southern Italy 2012

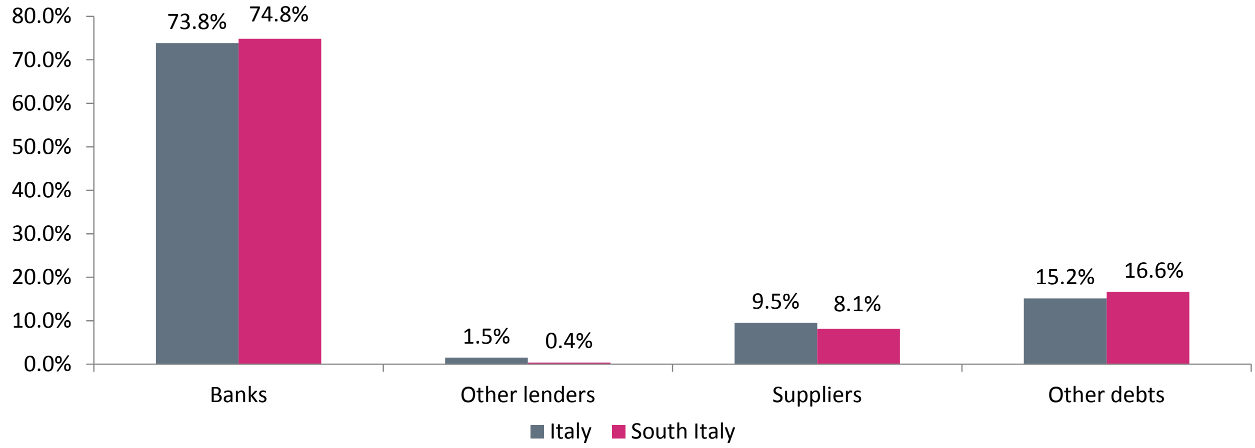

Figure 12 - Source: SRM elaborations on Aida data

The incidence of medium and long-term debt has increased over the period under consideration, with values ranking higher than the national ones.

The capital structure is balanced too, as the permanent capital (equity capital and third parties' capital) and investments manage to cover the investments in fixed assets, with a coverage ratio of 1.29, almost a steady value compared to 2010 (1.30) and in line with the national one (1.27).

The liquidity ratio (Current assets/current liabilities) however, is lower than the national one (0.89 versus 1.03 in Italy) thus suggesting a greater difficulty in treasury management.

Analysis ratios by sources of funding of large shipping companies
Comparison South of Italy – Italy

	Southern Italy			Italy 2012
	2010	2011	2012	
Leverage	2.28	2.35	2.33	2.46
Medium and long term debts / tot debts	73.6%	67.9%	75.6%	71.2%
Incidence m-l term / tot funding	39.6%	37.5%	41.7%	40.0%
Index of global coverage of fixed assets	1.30	1.23	1.29	1.27
Current test ratio	0.85	0.67	0.89	1.03

Table 5 - Source: SRM elaborations on Aida data

Southern shipping companies have capital requirements higher than fixed assets as a result of long-term contracts signed.

Nevertheless, the weight of property although significant, is low compared to the national figures. Consequently, the south has a less rigid capital structure (76.9% versus 79.5%), mainly due to a lower incidence of intangible assets (11.9% in the south, against 16.7% in Italy).

Capital structure of large shipping companies
South of Italy – Italy comparison

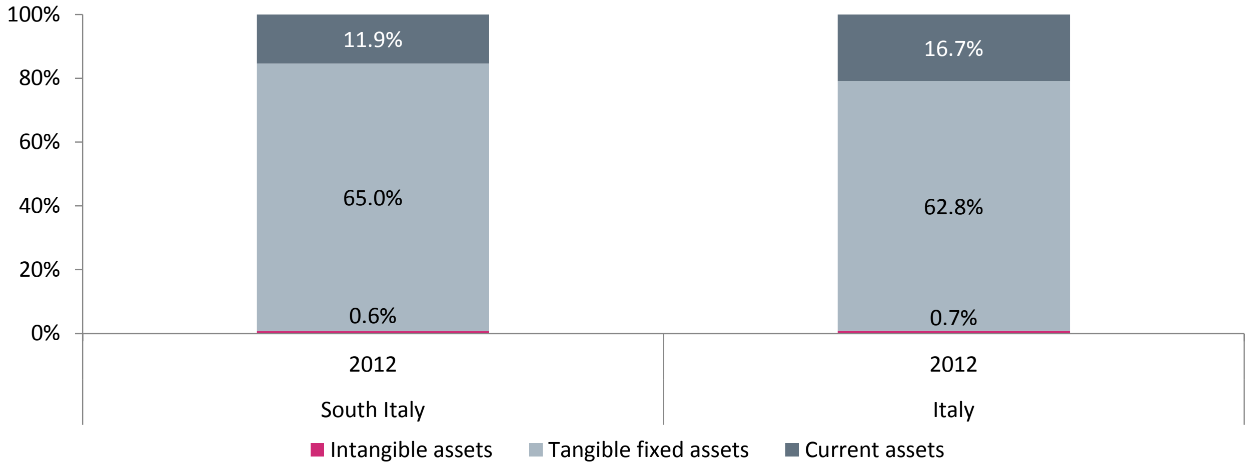

Figure 13 - Source: SRM elaborations on Aida data

Financial and economic development of the industry

In order to detect the shipping development rate, we have considered the growth rate of some particularly significant indicators.

First we have taken into account the growth rate of assets which shows the increase of the investments made in the time period considered. As a matter of fact, as you can see in the figure, Italian companies' investments remained stable (-0.1%), but the investments in intangible fixed assets (-2.7%) dropped.

During the same period, in the south there was a growth of assets (+1.7%), in particular the growth regards tangible assets by 2.6%, while the intangible fixed assets, already lower than the national ratio drop (-5.6%). So, if the structure of investment in this sector remains unchanged at the national level, in the south it is strengthened but also made more rigid.

Another index concerns the evolution of the sources of funding, or rather the change of equity as a dimensional indicator of growth and debt.

Overall, in the period under consideration the sector saw a decline of the equity by 3.1%, while debt grew by 2.5%.

A completely different situation is the southern one which, in order to cope with the new investment shows on the one hand an increase in equity of 0.5% and on the other a debt growth of 3%.

Analysis of asset development in shipping industry (Large companies)

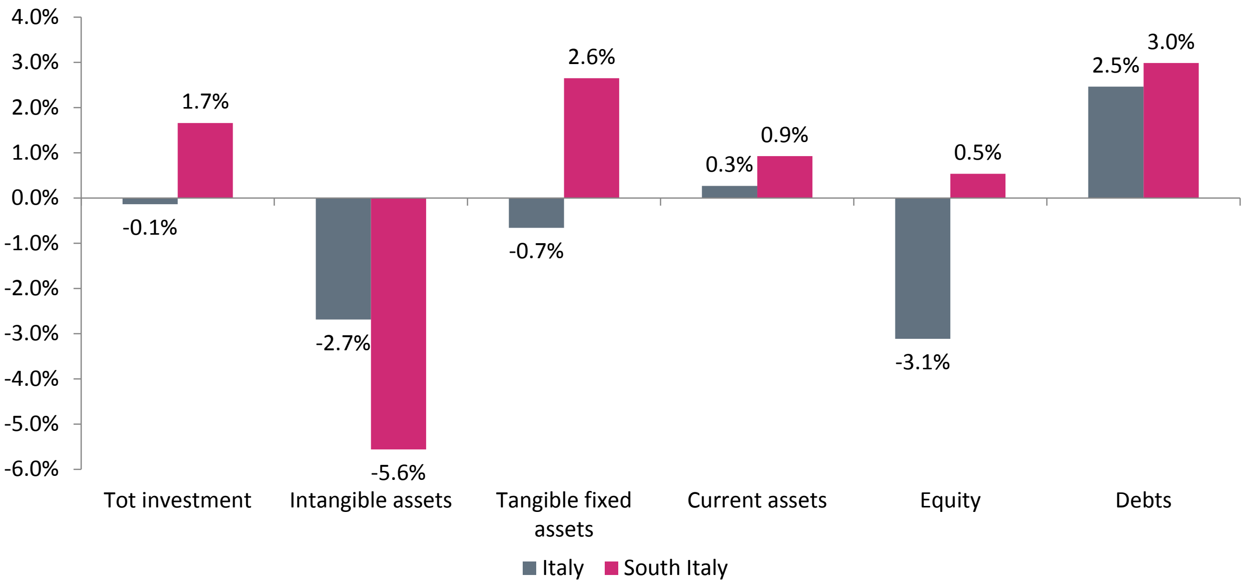

Figure 14 - Source: SRM elaborations on Aida data

Moving on to the economic implications the index of turnover change is positive; it is growing both in Italy (2.1%) and in the south of Italy (1.2%). From the analysis of the economic development it emerges that the sector is experiencing a difficult time.

It is interesting to note that the index of variation in the operating earnings was negative both in Italy and in the south thus confirming the operational difficulties of companies and in particular, the ability to adequately manage production costs still increases during this period.

If one considers also the management of non-operating incomes and the overall profitability of the company, the trend improves for Italy but worsens for the south, also due to the higher incidence of financial expenses. The result for the financial period in Italy was already negative in 2011 while in the south it turned negative only in 2012.

Analysis of economic development in shipping industry (Large companies)
Italy – South of Italy comparison (average growth rates of period 2010/2012)

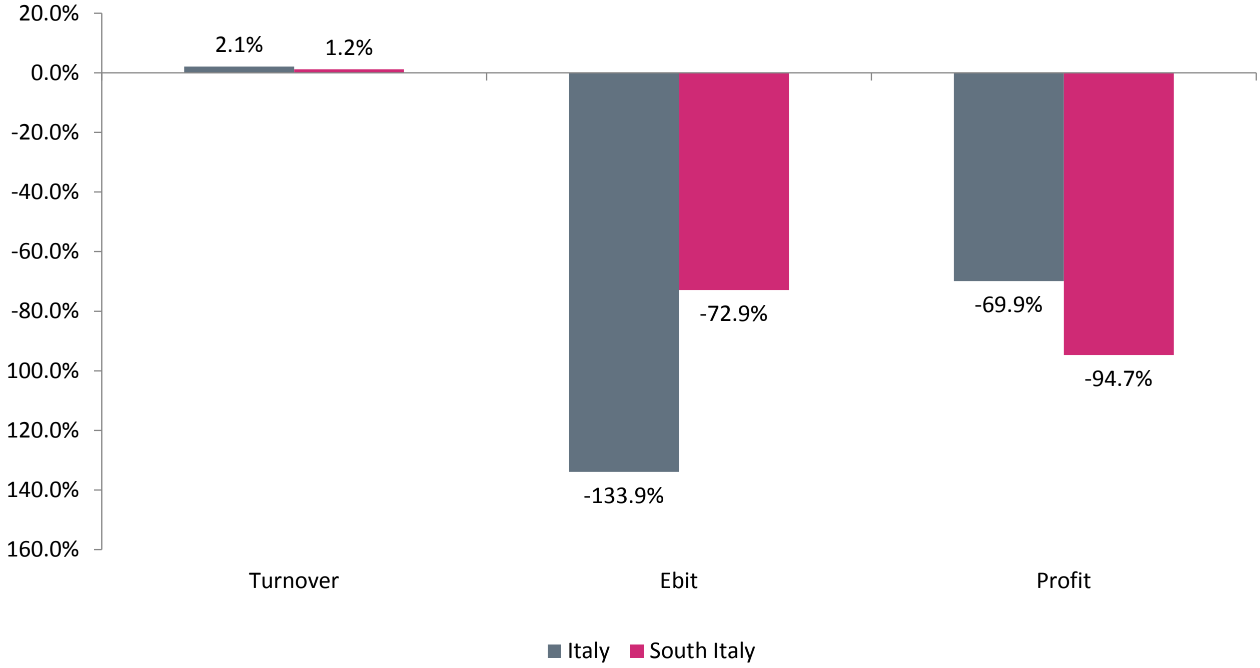

Figure 15 - Source: SRM elaborations on Aida data

Thanks to their greater competitive strength large companies are able to achieve better results still the earnings structure is affected by the economic hardship, especially in 2011 with a slight improvement in 2012. Accordingly, companies tend to react by also focusing on changes of financial and capital structure in order to create a more functional operating system.

With respect to the national context the large southern firms suffer an increased 'breathlessness' during the period however, their levels of profitability are higher. This demonstrates the economic, financial, and capital importance of the southern regions.

Conclusions

The current crisis has exacerbated some of the structural problems that have been burdening Italy for decades and recent years slowing down the process of economic growth. Clearly transport business has consequentially suffered from this problem being closely tied to the import-export service, which confirms the fact that a large part of the production of the sector depends on exogenous factor.

As a result of the long-term effects deriving from the global crisis, in particular in Europe, there has been a decline in the performance of cargo handling – even in an industry like shipping, particularly dynamic thanks to the globalisation – and consequently there has also been a drop in freight rates, an increasing level of competition between operators and more difficult profitability.

Hence, this analysis has not been away from the turmoil of the global crisis which generated contractions that affected the expectations and the consequent collapse of values, investments and profits.

However, despite the global economic crisis and maritime trade hurdles have not been completely overcome, there have been companies that succeeded by focusing on strategic factors and achieved excellent results.

There are several elements that ensure maritime companies an effective and efficient action on the market. We also saw that business solidity allows operating to be more successful getting more efficient supplies, more innovative facilities, market outlets with a higher value added, and more opportunities to apply effective industrial policies.

Another crucial strategy is internationalisation. In this regard Italian shipping should take into account its fundamental characteristic, that of being a mode of transportation that operates in the world. Great attention must therefore be paid to internationalisation as a strategy to expand companies' target markets, which also implies the need to adopt those factors which may be necessary when competing with other companies worldwide, so that a business is successful and can contribute positively to the economic development of the territory where it is located.

Given the economic characteristics of their activities companies should especially develop good management and forecasting skills, in order to choose the right business size to create a well-balanced economic structure able to monitor the incidence of costs, particularly fixed costs, which as just seen, are strategic for the achievement of profit.

Closely related to this is a good estimate of the revenues that, in the specific case of shipping companies, regards selling services and occasionally on any capital gains realised on the sale of ships.

Nonetheless, predictions are not easy to make because in the medium/long term they are beset by uncertainties both for the various exogenous factors that impact on the freight market for their unpredictability. The changeable trend in the price of fuel, for instance, is an important element as regards its impact on the cost of the trip and therefore must also be included in the planning activity of the shipping companies.

Another important element is to develop appropriate skills to manage the financial area. The shipping industry is a confirmation[3] of the trend towards complementarity between the financial sphere and that of the real economy. In recent years there has been as in the whole economy in general, a clogging of the real economy without the support of prior levels of development. This led to an inevitable recourse to finance arriving at a true process of ‘financialisation’ of the economy.

The financial function in shipping is not limited to only manage the capital factor but extends its control over financing alternatives and procedures for the use and allocation of the same resources in order to positively influence the value of the company and therefore its rating.

In this regard, on the one hand companies tried to acquire volumes by offering capacity supply at the cost of practicing dumping tariffs; and on the other hand was used to purchase ships of large tonnage to value assets with the spread of the phenomenon of ‘naval gigantism’, i.e. the tendency to build ships by ever increasing tonnage and capacity.

Finally, given that the maritime sector is very structured both for the variety and for the competitiveness of the subjects that are part of it, it is necessary to develop a network of relationships that bind the shipping sector to that of the port and shipyards for the production and repair industry. Now all companies regardless of which sector they belong to bind their survival not only to inexpensiveness, understood as a permanent tension towards effectiveness and efficiency, but also to the creation of value, understood as growth of corporate value according to the relationship – often conflicting – that a company manages to put up with the various stakeholders. This means therefore, that the overcoming of the individual actions in favour of inter-organisational and collaborative processes aimed at increasing trades, and at the creation of working conditions suitable for a sustainable port development will enable it to grow better and to increase its value.

If these are the strategic factors which shipping companies must adopt, a greater involvement by the public sector would be advisable.

In this regard, multiplier effects in which the trend of cargo shipping is reflected on the gross domestic product and on employment are very significant. Effects that probably will tend to intensify in the future thanks to the forecasts of the global growth of maritime transport.

[3] The thesis of Bologna focuses on the comparison between the 2008 crisis with the Lehman Brothers case, expression of the money immaterial and virtual circuit, with nowdays shipping industry, where the affected circuit would be that of goods. Two phenomena partly different, but with comparable dynamics.

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NOTE ON METHODOLOGY BALANCE INDEXES

Return on equityRoE; Net Profit/Net capital %
Return on investmentRoI Operating earings/Invested capital %
Return on sale: Operating earings RoS/Turnover%
Return capital employed rate, shortened in ROT
Turnover profitability: Financial year result/turnover%
Leverage: Total funding sources/equity capital%
Fixed assets to total assets: Fixed assets/Total assets%
Global flexibility index: Current assets/Total fixed assets
Fixed assets coverage ratio: Permanent capital (equity capital + medium/long-term liabilities)/ Fixed assets
Current test ratio: Current assets/Current liabilities
Stock turnover ratio: Revenues from sales / inventory

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