COVID-19 Observatory on Maritime Transport and Logistics

maritime economy

April 2020

We have created this new Observatory on the impact of COVID-19 on maritime transport and logistics because we believe that this will be a strategic sector to guide the country's recovery when the health emergency subsides. We would like to point out that, in fact, investments in logistics and ports have a high multiplication factor: 1 Euro of investments generate almost 3 Euros of additional demand. Moreover, current analyses demonstrate that the countries with best performing and most efficient logistic-port systems (such as Germany) are also those that are managing the crisis in a more orderly way, while also effectively organizing the restart phase. This should lead to a serious reflection on the importance of investing in logistics as an element of the country's resilience in emergency situations.

Massimo Deandreis

General Manager, SRM

COVID-19 has brought new phenomena to light and has accentuated our weaknesses at the port and logistics level. We are witnessing an important reduction in containerised volumes and, as a result, in our seaborne import-export. According to scenarios that we have hypothesized, maritime container transport is estimated to be experiencing a total decrease in value of between 25% and 35%. In addition, about 7 million TEUs have been lost so far due to blank sailing (route cancellations). The challenges for the future are and will therefore be numerous and complex. It is necessary to start again from some fixed points: implementing a boost to the digitalization of logistic processes, drastically streamlining the bureaucratic process which is slowing down infrastructure investments and working on the strengthening of ports, especially in the South, in order to attract investment in manufacturing.

Alessandro Panaro

Head of Maritime & Energy, SRM

A new Observatory on Maritime Transport and Logistics dedicated to COVID-19 impact assessment

Italy is facing a complex moment of its recent history, due to the spread of the novel Coronavirus (COVID-19). The problem, which is affecting all the countries of the world after having first struck China, is of great importance because it is and will aggressively affect the health and production systems as well as the entire transport and logistics chain.

SRM has decided, as part of its activities related to the Observatory on the Sea Economy, to undertake research that will lead to a series of periodic analyses aimed at showing trends and economic issues linked to the spread of COVID-19 and to the effects of social distancing measures implemented by the Government to combat the pandemic.

A special feature of SRM's analysis is also to include the voice of operators, trade associations, the institutional world and all those involved in the Sea Economy and Logistics sector, which is strategic for the country and contributes about 9% of the GDP, if the entire supply chain is considered.

Although SRM's research approaches are always aimed at looking for positive aspects of what characterizes our economy, the severity of the current situation should not be overlooked, and it must be clearly stated that sentiments and data received so far are all marked by a minus sign.

Despite this, we have not abandoned our style of work, trying insistently to develop a system of analysis that would highlight the dimension of the problem, but also trying to define proposals together with the protagonists of the sector, and to make them understand what path to follow in order to start a gradual recovery.

The figures shown here are evolving very rapidly, on a weekly and sometimes even daily basis, so they should be taken with due caution. They illustrate, however, scenarios that we have in front of us and that give useful indications and food for thought on the sectors that are most affected by COVID-19 and on those that are performing better.

We started with a basic infographic that figuratively shows the "fever" level of the maritime economy.

Between the indicators taken into consideration some regard our country, while others measure phenomena which, although of a more international character, interest Italy as they are linked to traffic or phenomena involving great world ports that influence the competitive panorama of the sector. It is the case, for example, of the traffic through the Suez Canal that, even if not directly concerning our country, affects the Mediterranean area and with it the entire port and logistics sector.

The short paper in this first edition has been organized in three sections.

The first is dedicated to the international maritime scenarios and to the way in which COVID-19 impacts them, as assessed by the major specialized research institutes. An interesting review that also describes phenomena that are well known but which are currently becoming more and more evident, such as blank sailing (cancellation of services and ports of call).

To what extent has the international maritime scenario been affected?

The second section is dedicated to a specific analysis that SRM has carried out on container transport. A hypothesis of the impact of COVID-19 on the sector, which considers maritime import-export and looks into the products that can potentially be containerised. In this case we refer to a value that affects our total interchange of €190 billion. SRM has therefore designed three possible scenarios, assuming different starting dates for the recovery.

Three ways for the Italian containserised martitime trade to recover

The third section is dedicated to a qualitative survey that SRM has carried out against two types of subjects, through interviews on specific issues related to COVID-19. The first one is made up of some of the main trade associations representing the companies of the logistics and maritime chain, while in the second one there are some of the most important Port Network Authorities of the country. It is a survey with interesting implications that addresses problems, needs and possible solutions to start again.

The sentiment of Port Network Authorities and Shipping Associations

With this Observatory, SRM intends

to provide a contribution of study aimed at bringing to the attention of the economic world the need to strongly support and relaunch one of the essential sectors that can contribute to our productive recovery and give back to the country a leading role in the competitive scenario.

The COVID-19 Observatory on Maritime Transport and Logistics is a report produced by SRM as part of the research activities of the Permanent Observatory on the Economics of Maritime Transport and Logistics
www.srm-maritimeconomy.com

SRM Research Team

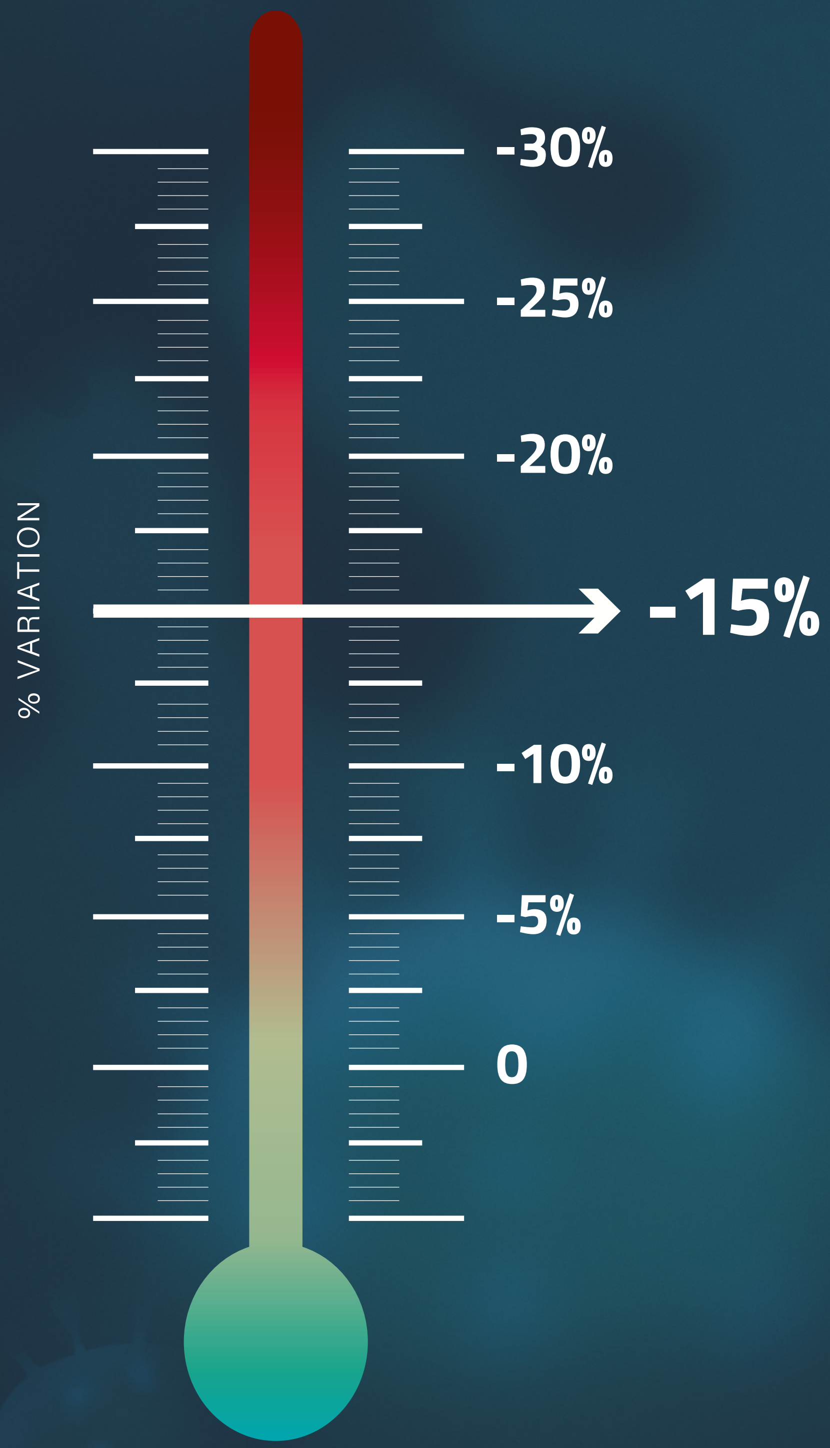
General Manager: **Massimo DEANDREIS**
Head of Maritime & Energy: **Alessandro PANARO**
Senior Researchers: **Anna Arianna BUONFANTI, Olimpia FERRARA**
Editorial and graphic design: **Marina RIPOLI**

We would like to thank the following persons for their cooperation:
Assoporti - Daniele ROSSI, Confetra - Ivano RUSSO, Confitarma - Mario MATTIOLI, FEDERAGENTI - Gian Enzo DUCI, Fedespedi - Silvia MORETTO.
Port Network Authority of the Southern Adriatic Sea – Ugo PATRONI GRIFFI,
Port Network Authority of the Eastern Adriatic Sea – Zeno D'AGOSTINO,
Port Network Authority of Ionian Sea – Sergio PRETE,
Port Network Authority of the Western Ligurian Sea - Silvio FERRANDO,
Port Network Authority of the Central Tyrrhenian Sea - Pietro SPIRITO.

Data and information available as of April 2020.
The analyses contained in this report do not represent the beliefs and opinions of SRM's founders or ordinary members.

Note to the infographic | The percentages assigned to the indicators are the result of qualitatively reasoned estimates provided by operators interviewed, or are derived from data processed by SRM on a quantitative basis from various sources, but nevertheless estimates. The level of "maritime fever" indicated is a suggestion generated by the average of the indicators' percentages, placed in the thermometer according to severity.

COVID–19 Maritime Index



SRM's 2020 estimates
and analysis based on various sources

- **-22%** Italian Maritime Trade — VALUE
- **-7%** Global Container Traffic — TEU
- **-25%** Total traffic Italian ports — TONS
- **-14%** Italian traffic Ro-Ro, Car Carriers — TONS
- **-4%** Suez transits % var — TEU
- **-18%** Total traffic Port of Shanghai* — TONS
- **-15%** Total traffic Port of Rotterdam* — TONS

* Final balance as of first quarter 2020.

The analysis

The international context at a glance. Impact assessment on the maritime economy and the consequences for Italian ports

The coronavirus epidemic (COVID-19), as is becoming increasingly apparent, represents an unprecedented threat to the world economy and thus to shipping. Its immediate impact was an isolated supply shock that quickly turned into a global demand crisis with governments around the world implementing social distancing measures (at various levels) in an attempt to contain the virus.

China, from which the virus started, is slowly approaching full production activity again in the second quarter of 2020, but its role as the world's factory cannot be completed unless its trading partners make purchases while in lockdown. The problem, at present, has shifted from one end of the supply chain to the other.

The World Trade Organization recently predicted that **international trade in goods will shrink much more in 2020 than during the global financial crisis of 2008-2009, with a downward range of 13%-32%**, so wide due to the high uncertainty of the economic impact of the pandemic.

The trend in trade is reflected in shipping, with ship transport accounting for around 80%-90% of the world's trade in goods.

According to WTO estimates, international trade in 2020 will fall between 13 and 32%

Although it is now recognised that maritime transport is going to face a problematic period, uncertainty surrounding impact assessments of COVID-19 remains extremely high because there are many key factors to consider, including:

- whether the virus will spread with equal force in every geographical region;
- the duration and extent of lockdown;
- the extent to which government rescue measures will be sufficient to sustain the global economy.

High uncertainty about the estimated impact of COVID-19 on maritime transport

At the moment, the evolution of these issues is not known and therefore it is necessary to think in terms of scenarios that are based on hypotheses categorised by different degrees of "pessimism".

For example, Drewry Shipping Consultants has produced three scenarios whose main difference is the timing of the recovery. These refer to container transport – which is the sector most closely associated with economic trends because it reflects manufacturing traffic.

The three scenarios elaborated by Drewry on the impact of the COVID-19 on the sector of container transport

Scenario	Drewry Probability	Spread of COVID-19	Containment	Likely economic impact	Effects on containerised maritime transport	Global port handlings, 2020 forecasts	Global port handlings, 2021 forecasts
A **Optimistic**	5%	Global	3rd Quarter 2020	Global GDP growth slower than expected in 2020, recovery starts in the second half of the year helped by latent demand and fiscal stimulus	**Short-term interruption and instability:** ▪ Short-term increase in transport tariffs while Chinese production resumes ▪ Demand and price decrease as most of the world goes into lockdown ▪ Demand and tariff rebound from Q3 onwards	**1.5%**	**2.8%**
B **Baseline**	50%	Global	4th Quarter 2020	More marked slowdown in GDP growth towards a possible recession. Recovery from 4th quarter more limited as latent demand fades away.	**Global growth bordering on negative / positive for 2020:** ▪ More blank sailing to adapt to reduced demand ▪ More idle fleet and ship scrapping ▪ Further freight rate erosion ▪ Carriers' profits likely to show negative figures	**-0.5%**	**4.8%**
C **Negative**	45%	Global	2021	Global GDP recession in 2020. Governments' rescue packages will be lengthened to avoid a sharp rise in unemployment and economic damage.	**Shrinking global demand for containers in 2020 and uncertain outlook for 2021:** ▪ Prolonged reduction in freight rates ▪ Heavy financial losses of carriers / increased risk of bankruptcy ▪ Large volumes of idle fleet ▪ Large scale demolition	**-3%**	**5.5%***

* Provided that containment is achieved at the beginning of 2021. Source: Drewry Maritime Research, March 2020

Forecasts range from the rather optimistic case where the world economy picks up speed quickly and ends the year with positive growth in container handling, albeit less than previously expected, to a decidedly negative scenario where the pandemic is not contained within the year, which brings the industry to its second annual decline after 2009.

The **baseline scenario**, to which Drewry attributes a 50% probability, foresees a reduction in global port handling of 0.5% in 2020, about 4 million TEU less than in 2019 (when global throughput was 801 million TEU), due to supply chain disruptions, reduced demand and, in general, global economic uncertainty caused by the rapid spread of the Coronavirus (COVID-19). The starting assumption is that the virus peaks during the second and third quarter with the global economy only starting to recover in the last three months of the year. The rebound in 2021 could be close to 5%.

The range of Drewry's estimates therefore spans from +1.5% in the best-case scenario (equivalent to +12 million TEUs moved around the world) to -3% in the worst-case (24 million TEUs less than 2019).

Drewry estimates range from +12 million TEUs in the best-case scenario to -24 million TEUs handled in the worst-case

Other forecasts are instead more negative: the Danish analysis company **Sea-Intelligence Consulting estimates that the impact of the pandemic will weigh on the lines of maritime transport of containers by approximately 17 million TEU and on the port terminals for approximately 80 million TEU embarked and disembarked.**

Sea Intelligence Consulting estimate a negative impact of 17 million TEUs on maritime transport lines and 80 million TEUs on port terminals

However, all agree on **a significant rebound in volumes transported in 2021** after this year's collapse.

From the trend of these first months it can already be affirmed that 2020 will be unstable from the point of view of demand and supply of maritime transport.

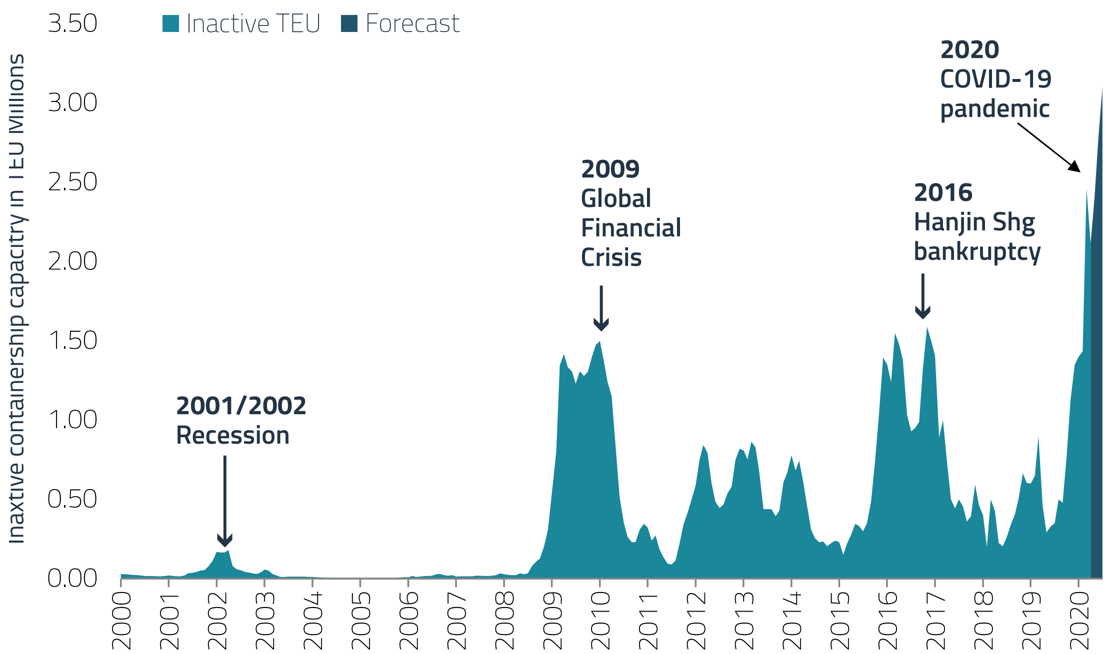
While the reduction in demand volumes is a certainty, carriers will need to be able to manage available capacity in the coming months.

They will have to decide to contain transport services as long as demand volumes remain low, and also be ready to serve the market when the recovery starts.

Sea-Intelligence, in this regard, recalls that the collapse of maritime freight rates during the years of the last financial crisis was mainly due to the choice of carriers not to reduce hold capacity in time, preferring to engage a downward war on freight rates to gain market share, a decision that put pressure on their budgets and led to the bankruptcy of many companies. Based on that experience, carriers are handling the emergency as best they can, quickly removing hold capacity from the market with repeated blank sailing and thus ensuring that transport fares do not collapse.

A very clear consequence is the record-breaking amount of empty voyages **with idle fleet capacity which is expected to reach over 3 million TEU in the first half of the year, or 13% of the entire fleet**[1], xceeding the previous maximum of 2.46 million TEU recorded at the beginning of March this year.

Capacity of container idle fleet 2000-2020 (estimates)



Source: Alphaliner

Alphaliner has calculated that the COVID-19 pandemic will lead to the cancellation in the second quarter of more than 250 liner container services, equivalent to 30% of hold capacity on some routes. The aim is of course to keep costs down.

[1] See also the next chapter, 'the impact of COVID-19 on maritime containerised traffic in Italy: import-export data', pp. 13-17.

According to analysts of Danish Sea-Intelligence, if companies manage to maintain at least **stable freight rates** and suffer **a 10% drop in transport demand, the estimated loss for their business is about $6-8 billion in 2020.**

On the other hand, should they fail to limit the drop in freight rates and consequently have transport tariffs collapse as they did in the post-2008 crisis years, the estimated loss for shipping carriers would rise to $23 billion.

Losses for maritime carriers in 2020 are estimated between $6 and 23 billion

The wave of blank sailing will also have an impact on Italian ports due to the fact that it involves, among others, services on the Asia-Med route. **The first estimates point to a decrease in national port traffic for 2020 equal to 20% - 25% of the total, about 90-100 million tons of goods and 2 million TEUs less.**

National port traffic is expected to shrink in 2020 by 20-25%, equal to about 90-100 million tonnes of goods and 2 million TEUs

The effects will be evident above all from May because the transit time from the Chinese ports to the Italian ones is of approximately one month, so in our country the departures cancelled in April will be reflected in ships that will not arrive in 30 days time.

The most affected will be the ports of Genoa, La Spezia, Trieste and Gioia Tauro, i.e. those served by direct lines with the Far East, but the crisis of the volumes moved will be generalized and bear different implications throughout the national port system.

In the following paragraph we tried to assess the impact of the phenomenon on the maritime economy taking into consideration some parameters.

The impact of COVID-19 on maritime containerised traffic in Italy: import-export data

This analysis specifically concerns **import-export forecasts of Italian**[2] **containerised maritime trade in 2020**. This cross-section is the reference point taken into consideration because of its strategic role in the current emergency period.

A sector that is potentially equal (in value) to about 20% of the total Italian trade (including energy) and over 70% of the total maritime trade with an estimated amount of over €190 billion, of which €85 billion regards imports and €106 billion is for exports and therefore with a surplus trade balance.

The analysis also clearly shows the contribution of this strategic sector which, particularly in times of emergency, plays an essential role in supplying and supporting the country.

Much has changed with regard to the estimates of the trend of containerised maritime import-export; in the first few months of the year there has been a shift from a hypothetical 2% annual growth in 2020 to a certain shrink due to the spread of the pandemic. Nevertheless, what is not yet quantifiable is the intensity of the contraction. This is, in fact, an element of **exogenous shock completely unprecedented in the economy.**

The sector is bound to decrease, differently from the growth forecast before COVID-19

The positive aspect is that as such it does not affect the economic fundamentals; it is not a degeneration of the economic system or the container sector even if the latter suffers and will suffer the consequences of such an event.

Moreover, since it is a pandemic, **the impact has not been limited and will not be limited to Italy**, but has already spread worldwide like a wave and therefore even the analysis of the period of spread of the virus becomes difficult to pinpoint.

What can be said is that it will be a year of uncertainties in which there will be **extreme volatility**, linked to some fundamental aspects which, as they affect the supply side of products, influence also container transport.

The spread of the virus has turned into a pandemic, which will make the sector extremely unstable...

[2] As we do not have definite data on this cross-section to define the sector (import-export maritime container), some Ateco codes (categories of economic activities) have been specifically considered in terms of their potential to be containerisable.

... but this will be a temporary shock which will also affect containerised maritime transport

However, these elements are also affecting demand. In fact, a surge in demand for some products (e.g. drugs and medical equipment) corresponds to a production halt for others (automotive and components). There is widespread awareness that the virus will cause a temporary shock both to the economy and to maritime transport but, in assessing its economic impact, there are several elements of uncertainty, which include both internal and external elements to Italy, which all have an impact on container transport due to its global nature.

As regards some of the main factors abroad, which in any case have an impact on national trade, it must be said that it **is not known whether the virus will affect all countries in the same way and this will also influence import-export**. As the disease progresses, some ports will slow down or even stop their activity, while others may continue to operate. First of all, Chinese ports have been blocked, and the spread of the virus in Europe has led to a slowdown in ports on our continent. Due to the different level of virus incidence some countries are currently ready to produce while others are not prepared to receive goods at full capacity because they are still in a state of emergency resulting in a series of negative consequences in shipping and transport. In addition, **some important connection lines have been cancelled and blank sailing rounds have been announced (as also specified in the previous paragraph)**.

The cause is always the drop in transport demand due to the effects of the COVID-19 pandemic. **The number of inactive container ships increases.**

As a result of the cancellation of departures and liner services, the fleet of idle containerships has risen to a record level for this year of more than **3 million TEU**, as specified in the previous paragraph.

As far as the internal elements affecting trade are concerned, it has to be taken into consideration that the development of **the shipping container industry, as a global sector, closely follows the virus and is inevitably affected by it**.

It is now clear that COVID-19 **has been and will continue to be for some time a limiting factor** not only for the life and sociality of citizens but also for the world economy in general and the national economy in particular. The contagion curve seems to have reached its peak but let us not forget that this shows a decline in contagion, not that the virus has disappeared. It should be noted that following the outbreak of the epidemic and the restrictions that have been introduced, in order to protect the health of citizens and at the same time ensure their subsistence, the Prime Ministerial Decree of 22 March 2020 in Annex 1 which was amended to the Decree of 25 March, has specified which were the essential activities of the country's economy which therefore had to keep operating. The list of permitted activities is included in a rather extensive list, which mainly concerns the food chain, pharmaceuticals and parts of machinery[3]. The lockdown was extended on 10 April with a new Prime Minister's Decree until 3 May, which extended the list to include the wood supply chain.

Moreover, it should not be underestimated that there could be a possible return of the disease caused by epidemic return flows; this phenomenon has already occurred in China and could happen in Italy, which will result in social and economic damage.

These measures have formed the basis for the calculation of estimates of the trend in the import-export of containers handled by sea, making it possible to identify "essential production" especially during the period of isolation.

Based on these assumptions, it is estimated that at the moment (baseline scenario) **container shipping is running at 50 to 60% of its usual capacity**. **Each additional week** of trade block of certain production would **cost the sector €1.5 billion.**

Each additional week of trade block of certain production would cost the sector €1.5 billion

Uncertainty surrounding the estimates remains highly dependent on government decisions on the duration of the lockdown. Therefore, 3 scenario assumptions have been made below.

In order to assess the economic impact of the shock, monthly national import-export (containerisable) data for 2019 broken down by sector have been considered, with the possible loss of value that can be expected during the quarantine period in 2020 for each of them.

It should be borne in mind that some sectors have experienced less marked slowdowns (i.e. agri-food) while others have remained inactive (i.e. automotive and textiles).

[3] On the basis of the Ateco codes (categories of economic activities) indicated in the annex to the Prime Ministerial Decree of 22 March 2020, amended by decree of 25 March, starting from their impact on the total goods traded, estimates have been made in order to define the perimeter of "essential production" also for the container sector. In terms of exports, the volume of such "production" in the basic confinement period (March, April, May) is estimated to be 10% of the total traded during the year and 50-60% of the period. This percentage has also been maintained for the analysis of the container sector.

Three scenarios elaborated by SRM on impact assessment of the COVID-19 pandemic on the container sector

Scenario	Likelihood	COVID-19 contagion	Start of recovery	Impact on container	Estimates of seaborne container import-export
Baseline	50%	Global	June	Instability and short-term interruption of certain production activities (resulting in a decrease in containers handled) and subsequent gradual recovery of activities.	**-22%**
Intermediate	45%	Global	September	Medium-term interruption of some production activities (with subsequent impact on containers handled) but rebounding recovery of non-core activities.	**-33% / -35%**
Critical	5%	Global	2021	Significant reduction of activities.	**-50%**

Source: SRM

In a non-pessimistic scenario, a forecast of a 20% reduction in maritime containerised import-export

The first scenario is based on an "estimated" baseline duration of the lockdown from the beginning of March to the end of May, and its consequent impact on trade. The "working hypothesis" is based on the fact that the containment measures decided by the Government remain in force, as stated in the Prime Ministerial Decree of 10 April, until 3 May.

A second (intermediate) scenario hypothesis has been developed in order to highlight the possible impact on import-export in the event of a prolonged lockdown until the end of August.

The drop in trade is more marked (-33% / -35%) and the effects on the sector are more severe, but overall there is also a more marked recovery in the third quarter with a considerable rebound effect.

In **the most critical hypothesis**, but less likely in our opinion, the contraction in business activities, with only the essential ones fully operational, postpones the recovery to 2021 and the expected decline is considerable (-50%).

The result is a series of scenarios that outline a decline in our maritime trade, although to be interpreted with due caution. It is obvious that the types of goods are not the only variable that will shape the phenomenon. In fact, another factor will come from the spread of contagion in the countries that have greater maritime relations with Italy and from their desire to still apply duties and restrictions to trade that were in place even before the Coronavirus and above all from the situation of China which is a player directly involved in many global value chains.

The South of Italy, which concentrates about 20% of Italian gateway container traffic (and 43% of the total traffic of goods handled), is a territory whose development is based on seaborne import-export and which will certainly be affected by the problem. It should be noted that southern ports could be at an advantage due to reduced spread and greater control of the contagion in their territories. Starting from southern ports could be one of the ways to achieve recovery.

Results of a brief investigation: the operators' sentiments

In the international scenario and quantitative estimates on the impacts of COVID-19, as is SRM's style of research, it has been decided to provide added value by integrating these analyses with the interpretative keys of the phenomenon offered by operators, both Port Network Authorities and specialized Trade Associations.

At this moment, in fact, numerous **proposals** are being considered, and they are aimed at influencing the critical situation that the port and logistic enterprises are facing and which could at least mitigate, if not solve, some problems of a health and economic-financial nature.

The players interviewed are all representatives of categories related to maritime transport (which is the focus of this paper), but also to the entire logistics chain and other modes of transport.

With them it was decided to undertake an analysis of sentiment, deepening and focusing only on the aspects related to their operations and not on healthcare-related ones; **it is a given that all subjects have prioritised their own health and that of their employees, and the intention to address all strategies and efforts considers the protection of employment and full support to public authorities to make the necessary sacrifices to combat this unprecedented phenomenon.**

The interviews were conducted with authoritative representatives of: Assoporti, Confetra, Confitarma, Federagenti, Fedespedi and the presidencies of the Port Network Authorities involving the ports of Bari-Brindisi, Naples-Salerno, Taranto, Genoa-Savona, Trieste.

The topics covered have primarily concerned three aspects:

1. The critical factors that have the greatest impact on logistics and port operations and which are the sectors of the supply chain on which the crisis will have the greatest impact
2. Broad economic recovery estimates (short/medium/long term)
3. Possible proposals to address the above issues

1 Critical factors and the sectors most affected by the crisis

A great financial liquidity crisis

To some extent, this topic has been addressed by all the interviewees; in fact, the emergence of **a financial liquidity crisis of enormous proportions, especially for small and very small transport companies, is considered an absolute priority.**

In particular, Confetra estimated that there would be more than 2.5 billion euros in outstanding receivables for the road transport, delivery and shipping sectors alone. Companies are also suffering from extended and delayed payments for work carried out; many customers have announced at least 12 months' deferral of payment. The problem of liquidity is also highlighted because it brings to the surface an issue that has always been the subject of debate in the entrepreneurial landscape of the country, i.e. the size of companies. Our logistic system, especially road, is very fragmented into small and very small companies that are extremely sensitive to the issue from a management point of view.

A reduction of cargo handled

Another problem highlighted, especially by shipowners but also by all categories, is **the objective reduction of the loads handled, both in import-export (on all modes of transport) and in cabotage.**

This will lead to a reduction in companies' turnover on an annual basis, confirmed to be in the range of between 25% to 30%. If we apply this figure to Logistics turnover (€84.5 billion according to PoliMi estimates) it would mean quantifiable damage of about €25 billion.

It is estimated that an enormous reduction of logistic volumes moved will take place in the 3 months of the COVID-19 peak (March-April-May), with a decline between 40 and 60%.

A fall in containerised cargo

In particular, as stated by Port Network Authorities, **the decrease would include containerised cargo (which for the Italian port sector accounts for at least a quarter of volumes handled)**, but problems also exist for Ro-Ro in the Car Carrier segment. (ships used to transport new cars) in fact, according to data released by the Ministry of Transport in March 2020, the registrations of new cars in our country were 28,326 (-85.4% down on 2019) while transfers of ownership of used cars involved 142,230 vehicles (-62.33%).

All the Port Network Authorities have highlighted the issue of traffic decrease; Genoa is due to record a loss of total traffic for the year 2020 of about 35-45%.

Overall, performance in the first quarter was only partially affected by the Coronavirus emergency, the effects on traffic will be more visible from April and

May 2020; with the slowdown in commercial activity, an estimated decrease in container traffic of 10% and 25% respectively is expected. For March-April alone, a more marked drop in Ro-Ro is expected due to the interruption of some lines on the Mediterranean (for the quarter it is estimated to be between -12% / -14%).
The good performance of the agri-food and health sectors does not seem to have a decisive impact on traffic volumes according to operators.
On the reduction of volumes, a significant effect is due to the reduction of traffic in Chinese ports. In February 2020 the volume of goods in Chinese ports decreased significantly and the container sector recorded a drop of -18%. The decrease of the volumes of goods, besides other factors such as the Trade War with the USA, whose effects have recently softened considerably, is certainly attributable to the negative impact on the economy and trade as a result of the spread of the Coronavirus.
In addition, the phenomenon of blank sailing needs to be taken into account. Some companies, even though they have scheduled vessels with weekly rotations, do not physically sail due to lack of cargo, postponing trips to the following week. Alternatively, they do not call at ports that do not guarantee unloading and loading of goods. In April there have been 384 blank sailings due to the coronavirus pandemic (Sea-Intelligence estimates).

Disappearance of ferry and cruise transport

The Port Network Authorities strongly emphasised the issue of **the almost total disappearance of passenger and cruise transport, which in Italy amounts to more than 53 million people, including 12 million cruise passengers.**
This is especially detrimental to the ferry and cruise sector with the total or partial cancellation of the entire season.
Since the beginning of the year, in fact, according to an analysis carried out by Sea-Intelligence, 435 blank sailings have already been announced by the main alliances, 2M, THE Alliance and Ocean Alliance: overall, this represents a drop in the transport offer of close to 7 million TEUs.
For the cruise sector, in particular, a loss of 70%-80% of total passengers is estimated, with a significant impact on tourism; it suffices to say that the sector has an impact on GDP of over €2 billion and was, before the crisis, rapidly growing.
Freight forwarders also focus on **the uncertainty of journey times, congestion at ports, passages and border blocks**. This is due to the tightening of controls on goods that cause delays in delivery, and to the fact that some countries block cargo at the border which results in goods not being allowed to flow smoothly.

There would also be the problem of full containers stuck in ports, which are not emptied because they contain orders placed by companies that had been forced to close by the time the goods reached Italy, although this issue seems to have been addressed by the Prime Ministerial Decree of 10 April 2020 which allowed companies to at least reopen their warehouses to store products.

The uncertainty of journey times, congestion at ports, passages and border blocks

The Fedespedi Study Centre estimates that COVID-19 could lead to a reduction in the Italian GDP of between 4% and 7% and a fall in **volumes of goods moved of 20%-25%** in 2020; this drop in trade has a serious impact in terms of turnover in all sectors of the logistics chain.

As for the slowdown of the entire transport system, the operators point out that it would be appropriate to rethink the Italian model of the system of controls, focusing on the **digitalisation** of procedures on which a lot still needs to be done.

2 Economic recovery estimates

There is still a great deal of uncertainty on this issue and no operator has provided dates or time periods, not even indicative, in which a recovery could take place.

A possible recovery for the goods sector in the second semester of 2020

In the goods sector, a gradual recovery is conceivable as companies restart. **Some operators, however, do not see any strong recovery at least throughout the first half of 2020.**

Others, on the other hand, believe that there could be problems for the whole of 2020 due to the fact that, even if Italy can restart, it will be the other countries, in the meantime, that will continue the blockades with consequences particularly on exports.

The passenger sector is different, as the psychological factor will make tourists refrain from undertaking trips or cruises on ships, which will undoubtedly have an impact.

In this case it is believed that the entire tourist season will be compromised.

The entire season is compromised in the passengers' sector

3 Proposals

The proposals – illustrated here in summary and in a non-exhaustive manner – which were put forward by the interviewees, beyond those specific to health and safety protection and income support for staff and crews, mainly revolve around the following:

- **Mitigating the liquidity crisis of companies** to cover at least the entire lockdown period. This is considered to be the fundamental issue to be solved in order to save employment levels and revenue shortfalls of companies; on this subject, it should be specified that the Council of Ministers intervened on 6 April with a measure, although not specific to the sector.
- **Reducing the burdens on companies**, mitigating the tax wedge and introducing tax relief for companies that are committed to maintaining employment levels;
- **Simplifying the bureaucratic procedures** that are slowing down the fluidity or even causing blockages of goods and aim for a future based on the digitalization of logistics processes and controls.

As for liquidity, for example, it has been suggested by Confetra to activate an extraordinary intervention of Cassa Depositi e Prestiti so that this institution can, directly or through other banks, pay in advance some of the invoices issued. To cover this measure, it is estimated that €1.2 billion is needed, partly as a revolving fund and partly to cover charges and interest. A similar measure is also envisaged by Confitarma, which would like to obtain financing from Cassa Depositi e Prestiti for up to 3 years with a state guarantee as a last resort.

Another proposal regarded specific funds that included technical adjustments for shipping companies as a means of restoring those experiencing a drop in turnover as a result of the COVID-19 pandemic.

Specific funds are required to reinvigorate maritime companies

The shipowners would also like to see the suspension of procedural acts, communications and fulfilments of procedures pursuant to art. 161 and 182 bis of the Bankruptcy Law.

The Port Network Authorities have pointed out the possibility that ports will kickstart the recovery of the economy of the Country at the end of the emergency and, to this end, it is necessary to take decided and firm measures aimed at removing bureaucracy and to give the Presidents the power to take decisions without too many regulatory hindrances (it had been proposed to

Decisive measures are necessary to streamline bureaucracy

adopt the normative Model used for the reconstruction of the *Morandi* bridge in Genoa, appointing the same Presidents as extraordinary Commissioners to carry out the infrastructure works already planned and financed). The Ports would have several billion euros worth of funds available for the timely completion of works, with consequent activation of private investment. It would be necessary, to prepare for the recovery, a great plan of infrastructural investments that could really move the economy of the "great numbers" of our country and that ports could be one of the keys to start economic recovery.

A great plan of infrastructure investment is needed

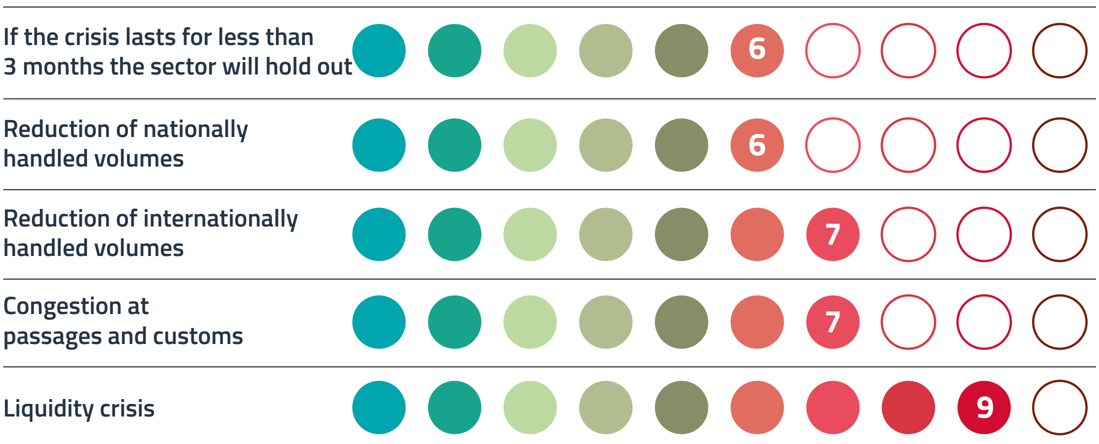
Another factor on which to focus strongly, even in the future, according to the port administrations, is the incentive to **rail transport**, considered safer, faster and less subject to queues and long waiting times at the border controls. Rail represents an opportunity to be seized primarily because it can carry a greater quantity of goods than trucks and might be the perfect link to restart national and international traffic.

Promoting rail transport

Analysis of sentiment: final results

The results of the survey led to the elaboration of some graphs aimed at representing the sentiment of the operators that were interviewed. It should be noted that the values represented are only a qualitative evaluation of the opinions expressed and have not been made explicit by the protagonists themselves.
The graphs shown in the following pages, therefore, reflect the value of the importance attributed to the area analysed on a scale of values from 1 (minimum value for importance and severity) to 10 (maximum).

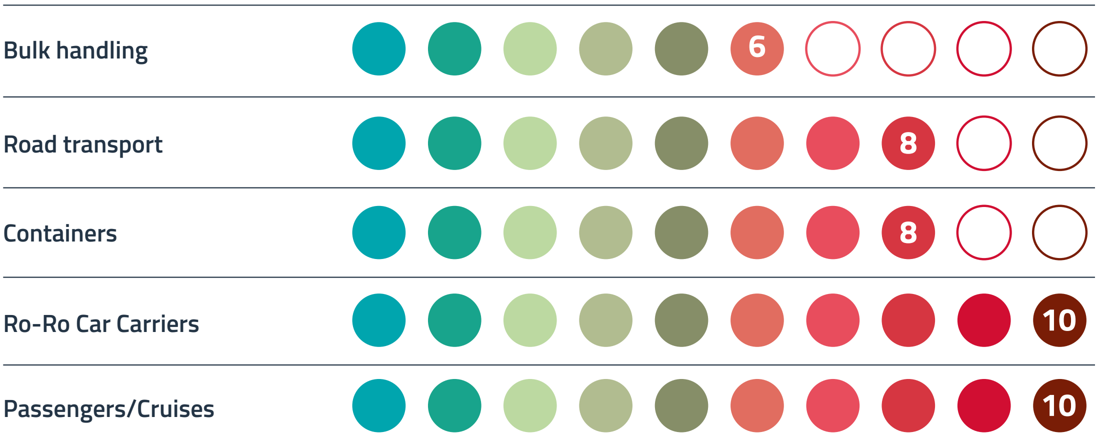
Coronavirus | Main logistic-maritime issues



Source: SRM

The greatest concerns are expressed about the liquidity crisis for which structural and strong interventions are wished throughout 2020.

Coronavirus | Sectors most impacted



Source: SRM

The most affected sectors are ferry passengers and cruise liners, with the 2020 tourist season invariably compromised, as well as car carriers.

Coronavirus | How to start again

Source: SRM

The COVID-19 has brought to light the need to carry out interventions on all of the weaknesses of our system.

Final considerations and more food for thought

The analyses shown so far have illustrated, from an economic as well as a health point of view, a complex moment with many implications both for the country and at a global level.

The scenarios are constantly evolving and the figures and statistics are also undergoing very rapid evolutions due to the progressive succession of decrees and regulations which, from time to time, force companies to close or partially limit their operations.

It has therefore been decided to offer a proposal that is not of a short-term nature but provides a broader vision, i.e. measures that can be put into practice once the country is ready to restart.

We share, in fact, the approach suggested by all the subjects regarding the problems to be resolved and their urgency, as well as the issues on which the various proposals illustrated here have been based.

In our opinion, the economic recovery, from the point of view of ports and logistics, could also be achieved by taking into account the following guidelines.

Measures aimed at unlocking ports by boosting a series of port infrastructures with high economic impact

SRM has estimated in one of its studies that in a group of port operational programmes (POT) there are about €6 billion worth of port works in varying states of completion and of various sizes.

Restart from port infrastructures without bureaucratic limits

It would be conceivable to propose again an analysis in order to identify and survey which are the works with a high economic impact and how close they are to being completed, in order to set up a streamlined restart procedure for them.

Set up a re-allocation of 2021-2027 structural funds with greater focus on ports in Southern Italy

The Coronavirus has highlighted two strategic points: firstly, the importance of starting processes of digitalization of port procedures and therefore avoid human contact as much as possible (except for that which cannot be eliminated) and, secondly, to focus on infrastructural integration and therefore encourage the development of railways and intermodality; this, however, requires a lot of resources.

Great resources needed for digitalisation and intermodality

Why not, then, with EU Funds, undertake strategies to benefit ports of the South (areas where contagion seems less widespread at the moment) and make them even more competitive?

The South is an area that moves goods accounting for 42.4% of the national total. It has the experience of a territory that uses the sea for 62% of its import-export.

At present, the Mezzogiorno has two ports in a phase of great relaunch, namely Taranto and Gioia Tauro, with the presence of big international operators such as Yilport and MSC, in the investment phase. The South has multipurpose options that boast the presence of a port and logistics cluster of high standard and in strong development in the Ro-Ro sector such as Naples, Salerno, Bari and the Sicilian ports. In addition, the Port of Cagliari, which is building the foundations for the future, should also be taken into account.

Focusing on southern ports and the logistics system of the South could be a solution to make our ports more competitive and, simultaneously, set up a **Lockexit Strategy**.

Immediate relaunch of Special Economic Zones and Simplified Logistic Zones to boost private investment

At the moment these instruments, although they have taken off on a procedural level, also seem to be at a "technical deadlock", due to the lack of implementing decrees necessary to make operational certain measures on administrative simplification. Furthermore, it does not seem that there has been a decisive move to promote the SEZs to large investors, except for the important initiatives carried out by Intesa Sanpaolo to attract Arab and Chinese players. These attempts ought to be continued and with ever more determination.

Set up a Lockexit Strategy based on Southern Italian Ports and on the whole Southern Italian Logistic system

The instrument, SRM has reiterated this in many of its studies, is aimed at attracting industrial investments in a territory, to enhance port traffic and maritime import and export. It seems that the economic impact that these can bring has not been fully understood.

Immediate relaunch of Free Zones to encourage imports and exports

The SEZs are certainly not instruments that produce results in the immediate future, but they serve to increase the credibility of a port and logistics system and, if well integrated with port Free Zones, they can have important effects for a territory through the exemption of VAT and duties for non-EU goods, and giving them the possibility to stockpile goods while waiting for the market to recover; a stimulus to international trade that is not insignificant.

Promoting SEZs and relaunching Free Zones to attract industrial investment and revitalize international tradee

SRM is the study centre linked to the Intesa Sanpaolo Group specialising in the analysis of regional economic dynamics from a European and Mediterranean perspective, today an international reference point for research carried out within the Observatory on the Economics of Maritime Transport and Logistics.

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Further information & to contact us:
comunicazione@sr-m.it

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