

**ECONOMICS
AND LOGISTICS IN SHORT
AND DEEP SEA MARKET**

**Studies in honor of
Guido Grimaldi
Founder Grimaldi Group**

**edited by
Ennio Forte**

FrancoAngeli



UNIVERSITÀ DEGLI STUDI DI NAPOLI FEDERICO II
DIPARTIMENTO DI SCIENZE ECONOMICHE
E STATISTICHE - DISES



GRIMALDI GROUP

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For the composition of the volume a selected number of researchers and experts in the field of the Maritime Transport Economics and Logistics from many different countries have been invited to contribute. The papers have been reviewed thoroughly by the members of the Scientific Committee: Prof. Ennio Forte, University of Naples Federico II, Naples, Italy; Prof. Adriano Giannola, University of Naples Federico II, Naples, Italy; Dr. Gianpaolo Polichetti, Grimaldi Group, Naples, Italy.

CONTENTS

Preface , by <i>Ennio Forte</i>	p.	9
Introduction , by <i>Adriano Giannola</i>	»	11
Presentation , by <i>Tullio Jappelli</i>	»	14
The Grimaldi Group	»	16
1. West med short sea shipping: from point to point to multi-call services , by <i>Massimo Albanese, Maria Inés Cusano, Claudio Ferrari and Alessio Tei</i>	»	25
2. Land-Based or sea-oriented transport? A review of freight mode choice literature , by <i>Federica Archibugi</i>	»	45
3. The port of Genoa: a gateway for the North West of Italy , by <i>Enrico Beretta, Alessandro Dalle Vacche and Andrea Migliardi</i>	»	63
4. The shipping tsunami. After the housing and subprime loans bubbles we now have the container shipping bubble the epicentre of this quake has shifted from New York to Hamburg , by <i>Sergio Bologna</i>	»	85
5. Macroeconomic impact of maritime transport: opportunities for western Mediterranean countries , by <i>Fabio Carlucci and Andrea Cirà</i>	»	101
6. New growth strategies in Mediterranean economic relationships: short sea shipping and co-modal corridors , by <i>Ennio Forte</i>	»	113

7. The national logistics plan and co-modal sea transport, by <i>Rocco Giordano</i>	p.	134
8. Port management and institutional reform: 30 years of “Theory and Practice”, by <i>Hercules Haralambides</i>	»	154
9. Port choice in the European short sea shipping market: a port authorities viewpoint, by <i>Ana Cristina Paixão Ca- saca</i>	»	198
10. Maritime transport in the Med area: analysis of traffic and competitors, by <i>Alessandro Panaro</i> and <i>Anna Arian- na Buonfanti</i>	»	228
11. The Italian and Campania region shipping industry, by <i>Lucio Siviero</i>	»	249
12. Port co-operation: motives, forms and results. Conse- quences for Ro-Ro, by <i>Thierry Vanelslander, Laurence Stevens, Christa Sys</i> and <i>Eddy Van de Voorde</i>	»	269

PREFACE

As Professor and thesis supervisor of Transport Economics and Logistics at the University of Naples Federico II, I have conferred degrees in Economics on the children and grandchildren of the Cavaliere (Knighthly Order of Merit for Labour) Dr. Guido Grimaldi whose acquaintance I had the honor and the pleasure of making at the very inception of my long academic career, and would add that, Eng. Diego Pacella, son-in-law of the Cavaliere, a real expert in the world of shipping finance, and his wife Amelia.

I may claim therefore, having got to know the direct descendants of the Cavaliere as students that the adage “blood will tell” is undoubtedly true. Our appreciation and highest esteem is also directed towards the Cavaliere’s Wife N.D. Paola Arcidiacono, since “behind every Great man there is always a Great woman”. Throughout the years I have been in a position to follow the growth and evolution of this entrepreneurial group led by the brothers Gianluca and Emanuele, with the active collaboration of their sons, which is today the pride of the South Italian economy and which has set an example for the shipping industry as a whole. The Group has been able to differentiate their services, no longer limited to maritime transport but now also extended to many logistics and terminal activities present on various continents. The Grimaldi Group operates terminals among the largest and most efficient throughout the world, from Northern Europe to West Africa and the Mediterranean. As mentioned above the Grimaldi Group has acquired major shipping companies expanding the supply of lines resulting in a highly integrated world-wide network able to offer excellent advanced logistics services.

This volume brings together scientific contributions ranging from problems of Ro-Ro to the economy of terminals and logistics, made by scholars of Maritime Economics at both a national and international level, for which I express my deep gratitude. The scientific level of the contributions and the commit-

ment of their authors, as outcome of the strict referee processing system established at an international level, in my view prove to be worthy of and up to meeting the task of demonstrating the considerable figure of this Great Southern Italian pioneer, namely Cav. Dr. Guido Grimaldi, a Master of Life, Science and of Profound Humanity.

Ennio Forte

Full Professor in Transport Economics and Logistics
Dipartimento di Scienze Economiche e Statistiche
University of Naples Federico II

INTRODUCTION

I am really pleased to introduce this volume edited by my colleague Prof. Ennio Forte which collects in 12 essays the contributions of distinguished scholars and professionals. Both the volume and the the degree award are the result of an agreement signed in 2012 between the Department of Economics – of which I was the Director at that time – and the Grimaldi Group to honor the memory of the late Guido Grimaldi Cavalier of Labour.

The scientific level of the contributions is remarkable, and they range on topics of transport and logistics providing clear support to the strategic importance of the maritime economy in promoting economic growth.

In particular it is clearly illustrated how the economy of the sea may provide a great support to Southern Italy by developing a wide range of interrelated sectors (global flows of goods in containers, streams Ro-Ro passenger and cargo, port terminals and logistics activities of value, distripark and free-trading zones for exports). Interesting enough, all these activities already provide a significant remedy to the current crisis, especially with reference to employment. Recent data by CENSIS confirm that employment in terminals and logistic activities of the main trading ports of our South has significantly increased also in the presence of general and deep economic difficulties.

This is also thanks to the “South-South bridge” that the Italian shipping industry, year after year, was able to activate. In particular, the Grimaldi Group, has increased the supply of scheduled services and terminals at the level of the entire Mediterranean area. It has substantially reinforced and widened its linkages with North-African Countries, with the southern shores of the Mediterranean, with Turkey, Greece as well as with Countries bordering the Adriatic and the Black Sea.

However these positive developments of private initiative in Italy are confronted with two major obstacles: the lack of infrastructure and the almost total

absence of logistics culture in Italy (especially in the South). These shortcomings significantly hinder and limit the transit volume through our Southern ports. Due to these problems, a significant share of the large flows of containers from the Far East, especially from China, do not use our southern ports for onward transmission to central or northern European Countries. To the purpose of fully exploiting these opportunities it is necessary to improve adequate maritime services like feeder or land transport by rail and road, even through inter-modality and co-modality.

The policy makers should pay greater attention to the private economy of the sea, to the shipping industry, to adequate port facilities and transportation. This could give the industry the breath necessary to promote a design-driven development, and to achieve growth via greater competitiveness and excellence. In this perspective Italy's comparative advantage in Logistics could be transformed in an effective, important leverage for growth. At the SVIMEZ (Association for the development of industry in the South that I have the honor to chair) we proposed to apply this approach to several large areas of the South.

With reference to the private sector in general it is worth mentioning the experience of Eataly, a distribution and catering food network which exploits at best the logistic networks connecting the different actors in a well defined chain of high-quality production and distribution. The sector provides 30 billions euro in exports, while it is estimated that over 60 billions euros of fake "Made in Italy" agri-food products are traded foreign to foreign. This experience gives a good example of the potential for a growing presence of a sound and competitive "Made in Italy" in the world. This is quite the opposite of what other parts of the "Made in Italy" do, cutting costs by exporting production plants in underdeveloped countries, in an attempt to stay in the market by exploiting the "low" way to competitiveness. This approach reveals a clear preference for quasi-rents, rather than to strive for risky profits. A myopic choice that creates permanent unemployment in Italy (supported, sometimes for years, by subsidies). In fact, what is exported abroad are pieces of our real economy (technology and equipment) in an effort to continue to exploit the low factor costs, (primarily the less qualified labour-force), thus also pushing out of the market a number of interconnected small companies. Such a process is seriously undermining the most celebrated Italian model of industrial districts because it disrupts the network of satellite firms and crowds-out a large number of subcontractors. It represents also a formidable obstacle to the promotion of "supply chains" that to-day characterize the manufacturing mode of production.

Unfortunately, these important issues appear to be distant from the interests of the EU and of our policy makers. The exodus of medium and large firms is a widespread phenomenon, parallel to the almost unnoticed, more

and more pervasive control and acquisition of our most celebrated manufacturing jewels by foreign finance.

We need to recover our ability to export products abroad, rather than companies, and to curb the increasing fragmentation of our production. These are the priorities in order to stop the “Italian decline” which started much in advance of the 2007 financial crisis.

In this murky scenario of the Italian industrial economy, a glimmer of light just comes from the logistics and transport industry, especially from the maritime industry which have their “core” in the Mezzogiorno. Here, attendance as the Grimaldi Group, represents a brilliant, reliable and solid point of reference.

Adriano Giannola

Full Professor in Economics

Dipartimento di Economia Aziendale, Management e Istituzioni

University of Naples Federico II

PRESENTATION

This volume is the result of an agreement signed by the Department of Economics and Statistics of the University of Naples Federico II with the Grimaldi Group. I am pleased to present this book edited by Prof. Ennio Forte, which collects contributions from scholars and experts in the growing field of Transport Economics and Sea Logistics, a strategic sector in Italy and particularly active in the South.

The book continues a long tradition of studies in Transportation Economics at the University of Naples Federico II, where two distinguished scholars, Epicarmo Corbino and Giuseppe Palomba, taught to many generations of students. Today the Department of Economics and Statistics collaborates with the Ministry of Infrastructure and Transport on background studies in preparation of the General Transport and Logistics Plan and with local governments on port facilities. On behalf of the Register of the National Road Council, the Department has recently organized training courses in the area of transportation economics.

The contributions that appear in this book will be useful to plan and implement reforms in the area of logistics. Italy is geographically projected in the Mediterranean, and a natural logistics platform to bridge European maritime trade with North Africa, the Middle East and the Mediterranean.

The volume shows that revitalization of transport policies, development of commercial ports and specialized terminals in the South can be an important engine of employment, investment and growth. Policies need to take into account that while historically transport cost was key to determine the location of plants, today location decisions depends much more on logistics networks, taxes and availability of inputs, and particularly labor and energy. In fact, the widespread use of containers, computerization of transactions and financial developments in the industry have reduced substan-

tially the weight of transport costs. Field experts whose contributions appear in this book also call attention to the need to balance outward oriented policies in support of internationalization (like export credit, incentives for market penetration, etc.) with policies aimed at raising the incentives to invest and locate in Italy.

Tullio Jappelli

Full Professor in Economics

Dipartimento di Scienze Economiche e Statistiche

University of Naples Federico II

THE GRIMALDI GROUP

The History

In 1947 Guido, father of Gianluca and Emanuele, and his brothers Luigi, Mario, Aldo and Ugo Grimaldi set up their own business by purchasing a Liberty vessel, a type of cargo ship used by the U.S. fleet during the Second World War that gave rise to the most important privately owned European fleets. The brothers' careful attention to market demands soon led them to expand operations to the transportation of passengers. Post-war immigration was at its peak and Grimaldi's shipping services focused on the Mediterranean/South America route. In the years that followed, as the passengers' demands for comfort and quality increased, the fleet was upgraded, including new, modern Liners such as the *Lucania*. Grimaldi-Siosa Lines, founded at the end of the 1950s to develop passenger services, was symbolised by the *Irpinia*. Over the following two decades, the fleet was expanded further to include flagships such as the *Venezuela*, the *Caribia* and later the *Ausonia*, which served the cruise market until the end of the 1990s.

In the 1960s the Group began to strengthen its freight operations with bulk freighters and tankers, including the *Auriga I*, *Luigi Grimaldi* and *Giovanni Grimaldi*. The expansion in the Ro-Ro sector and, more specifically, in the transport of vehicles came in 1969, when the Group started operating regular liner services linking Italy and the United Kingdom. Originally created to ship Fiat automobiles to the British market, Grimaldi Group's car carrier service rapidly won the trust of the major vehicle manufacturers who needed to ship their vehicles between Northern Europe and the Mediterranean.

This development marks the beginning of the Group's modern period: over the last forty years the focus on the Ro-Ro sector has in fact been the driving factor for growth. A decisive step in this direction was the investment, in the

1980s, to build the four sister ships *Repubblica di Venezia*, *Repubblica di Pisa*, *Repubblica di Genova* and *Repubblica di Amalfi*, followed by the *Repubblica di Roma*, *Fides* and *Spes* in the 1990s. All of them are Ro-Ro-Multipurpose Car Carriers capable of meeting the market's changing needs due to their enormous operational and load-mix flexibility. At the same time, the Group expanded its service network to serve not only the Mediterranean/Northern Europe trades, but also the routes between Northern Europe and West Africa and between Northern Europe and South America.

Over the last few years it has expanded and strengthened its network of services through internal growth while carrying out its policy of acquiring shipping companies that are specialists in the Ro-Ro and Ro-Pax sectors and hold positions of leadership in the markets where they operate. This process of globalisation and growth has been made possible by a number of different factors: the Group's financial solidity; its focus on applying new technology to improve the overall quality of its service; the trust it has earned from its customers all over the world; and, most importantly, the commitment of its more than 10,000 employees – an extraordinary resource in terms of professionalism and day-to-day dedication.

In recent years, the Group has implemented a long term industrial strategy served by an investment plan worth in excess of 4 billion euros aimed at growing through both internal development and acquisitions. Overall, more than 70 new ships have been ordered from various shipyards since 2000, 10 of which will be delivered between 2014 and 2015.

At the same time, while building its own international network of Port Terminals, since 2001, the Group has completed a number of strategic acquisitions and has taken shareholding participations in leading shipping companies with the aim of strengthening its leading position in the Ro-Ro business while building an extensive network of Motorways of the Sea around Europe, both in the Mediterranean and in the Baltic Sea, in line with the European Union's effort to remove freight from the congested road network.

The most recent of such developments was the purchase, in 2008, of the majority stake in Minoan Lines, the leading Greek Ferry and Ro-Ro operator. Minoan is listed on the Athens Stock Exchange and operates its own fleet on both domestic and international routes. Previous to this, in 2006 the Group gained control of Finnlines, the leading operator in the North and Baltic Seas. Listed on the Helsinki Stock Exchange, Finnlines offers freight and passenger services in a geographical area that has the highest economic growth in Europe. The first acquisition for the Group was, in 2001, that of Atlantic Container Line (ACL), the North Atlantic leading Ro-Ro and container operator which was then delisted from the Oslo Stock Exchange.

In terms of fleet development, the Group has rolled out a strategy based on maximising the transport capacity of its vessels in order to achieve economies of scale and scope and the maximum environmental benefits at once.

Other recent business initiatives include the incorporation of Malta Motorways of the Sea, a Maltese subsidiary that succeeded Sea Malta Ltd, the State-owned shipping company that was liquidated in 2005, and the creation of the company Grimaldi & Suardiaz Lines, a joint venture with Flota Suardiaz, one of the main Spanish shipping companies.

The Shipping activities

Established in 1947, Grimaldi is a fully integrated multinational logistics Group specialising in the maritime transport of cars, rolling cargo, containers and passengers.

Entirely owned by the Grimaldi family, the Group is led by Gianluca and Emanuele Grimaldi, sons of the founder Guido, and their brother-in-law Diego Pacella. Family members are complemented by a highly skilled international management team based both in Italy, at the Group's Naples Headquarters and at subsidiary companies and branches located in over 25 countries.

Such a powerful fleet is the core of a vertically integrated logistics chain which numbers twenty port terminals plus several land transport companies. The Group's shore-side and shipboard staff total more than 10,000 people.

Every week, Grimaldi Group's ships call at more than 120 ports in the Mediterranean and Baltic regions as well as in Northern Europe, West Africa, North and South America, thus contributing to the economic development of many countries.

The Group's primary mission is to strengthen and expand its international logistics network in accordance with a strategy that places the highest priority on environmental sustainability and meeting customers' expectations by achieving top quality standards.

This is made possible through the application of cutting-edge technology and care in every field of the business and thanks to one of the youngest, most modern and environmentally friendly fleets in the world, while substantial resources are invested in training and education.

The Grimaldi Group began its shipping activity in the late 1940s operating through the years in different sectors: passengers, bulk, general cargo, tank, containers, cars and Ro-Ro.

The Group is today a specialist in the roll on/roll off method of shipment and currently owns one of the largest fleets of Ro-Ro multipurpose and car carrier vessels in the world.

During the last decade the Grimaldi Group made substantial investments in: new tonnage; logistics platforms; trucking companies; human resources.

Referred to the world maritime sector, the Grimaldi Group is the 1st operator for heavy Ro-Ro capacity, the 5th for cars and the 25th for container transport.

The Group has obtained prestigious awards such as:

“Deep Sea RoRo Line of The Year” (1998, 2008), “Star Performer” – Customer Satisfaction Award promoted by Lloyd’s Loading List (1999-2011); FORD Q1 Award– GM Supplier of the Year (2003-2012); Fiat Qualitas Award Land Rover Best Supplier of the year (2003); Fiat Brazil Best Supplier of the year (2006); Lloyd’s List Global Award as best “Cruise & ferry” company (2009).

The activity of the Grimaldi Group is developed by 5 brands: Grimaldi Lines, Minoan Lines, Finnlines, Atlantic Container Line, Malta Motorways of the Sea.

The logistics network of the Group is represented by over 120 ports served in 47 countries in 4 continents, 18 car/container terminals (tootalling over 5 million m² of surface), 4 Owned Logistics Companies, 63 worldwide branches, and over 10,000 employees (including crews).

The services are structured in Deep Sea Lines and Euro Mediterranean Lines.

The Deep Sea Lines are linking the Atlantic coasts with over 30 vessels, with regular services between West Africa, Northern Europe, the Mediterranean, North and South America. The services are developed as: North Atlantic Line, South America Line, West Africa Lines, Northern Express, Central Express & Southern Express, USA/West Africa, South America/West Africa, Mediterranean / West Africa.

The Euro Mediterranean Lines are represented by the Euro-Med Line, the Euro-Aegean Line, the Euro-Adriatic Line and the East-West Med Line.

In addition, the Group has created an unprecedented Short Sea Network, focusing on three areas: Baltic Short Sea, Mediterranean Short Sea, Adriatic Short Sea.

From 2000 to 2013 the fleet owned directly or through subsidiaries has nearly tripled in size from 36 to more than 100 vessels, and an additional 10 ships are scheduled for delivery in the next few years.