



# IUMI Council Meeting

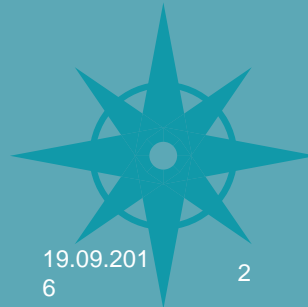
Italian merchant fleet: challenges, opportunities and risks in a changing world

Stefano Messina, Presidente Commissione Risorse Umane e Relazioni Industriali, Confitarma

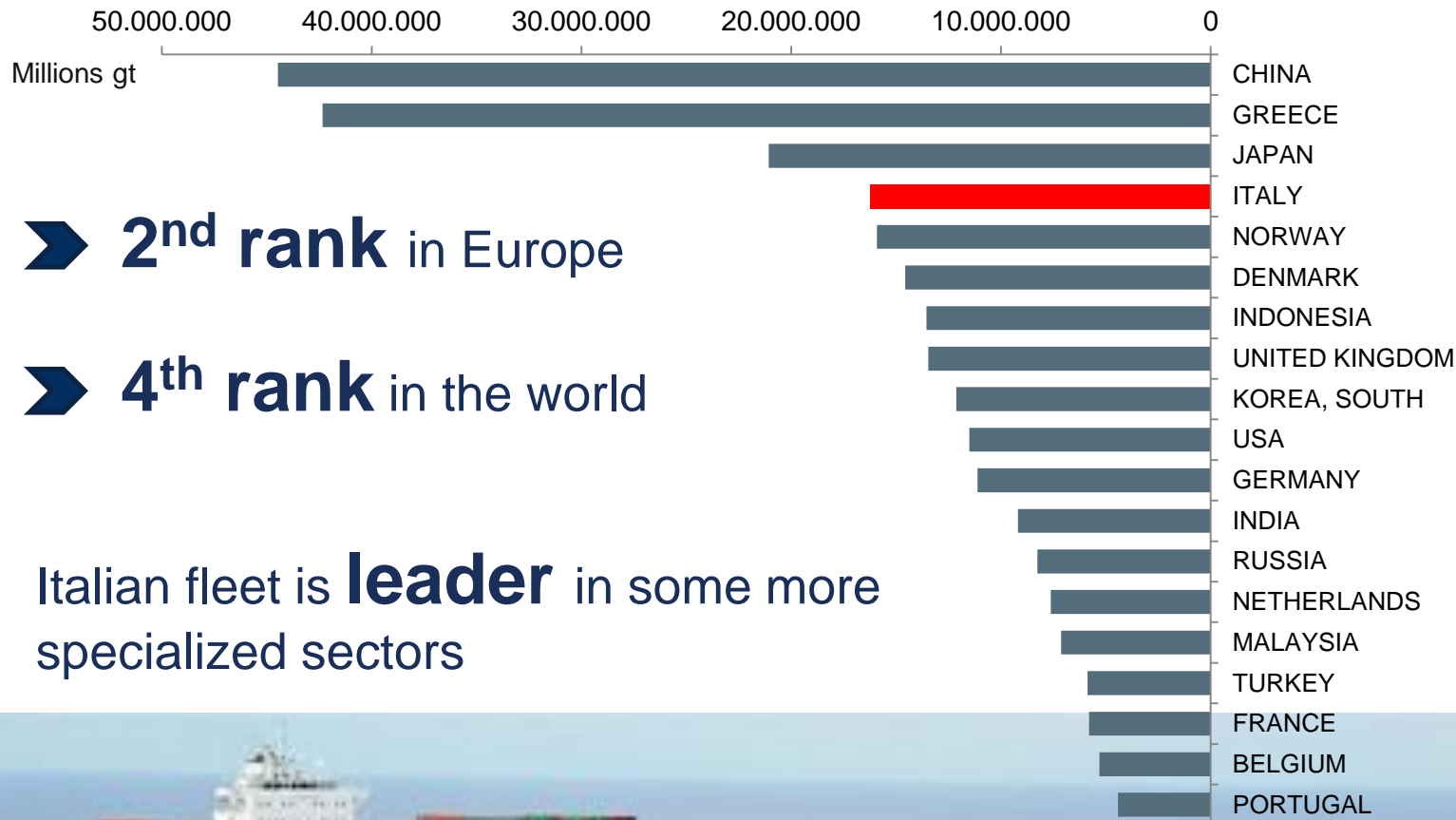
# CONFITARMA: ITALIAN SHIPOWNERS' ASSOCIATION



It is the trade association for Italian shipowners and shipmanagers. As such it promotes and protects the interests of Italian shipping representing them to Government, Parliament, European Union, international organisations, trade unions and the general public.



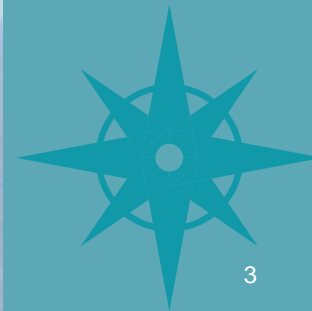
# ITALIAN FLEET



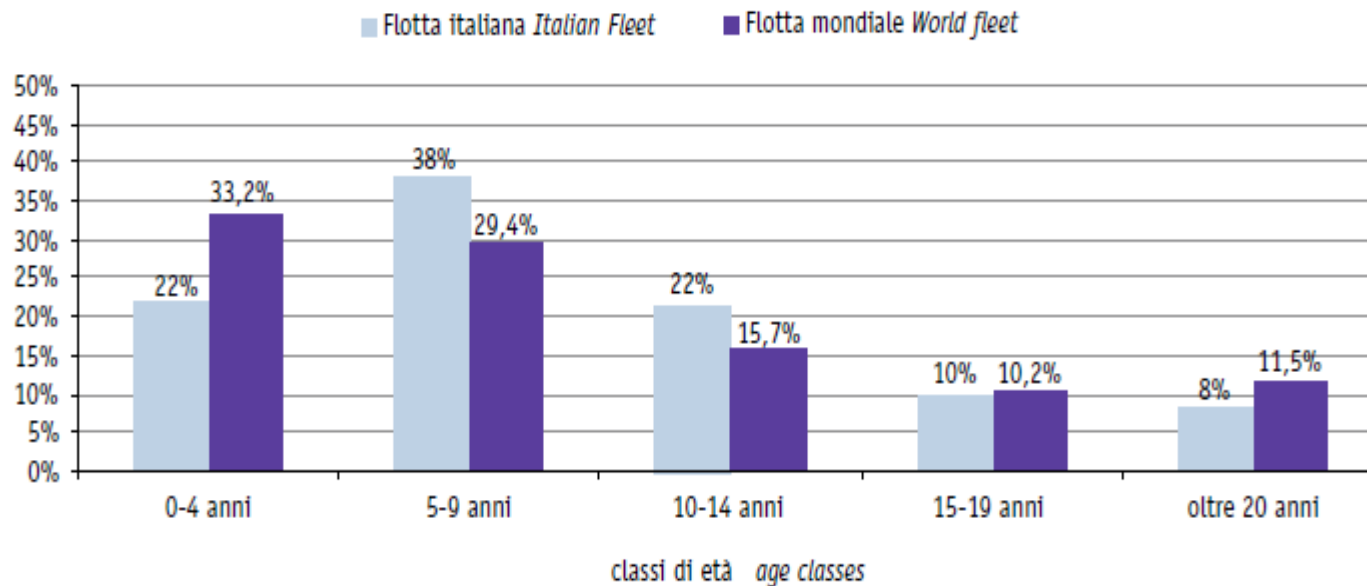
➤ **2<sup>nd</sup> rank** in Europe

➤ **4<sup>th</sup> rank** in the world

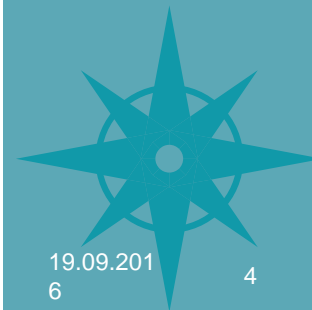
Italian fleet is **leader** in some more specialized sectors



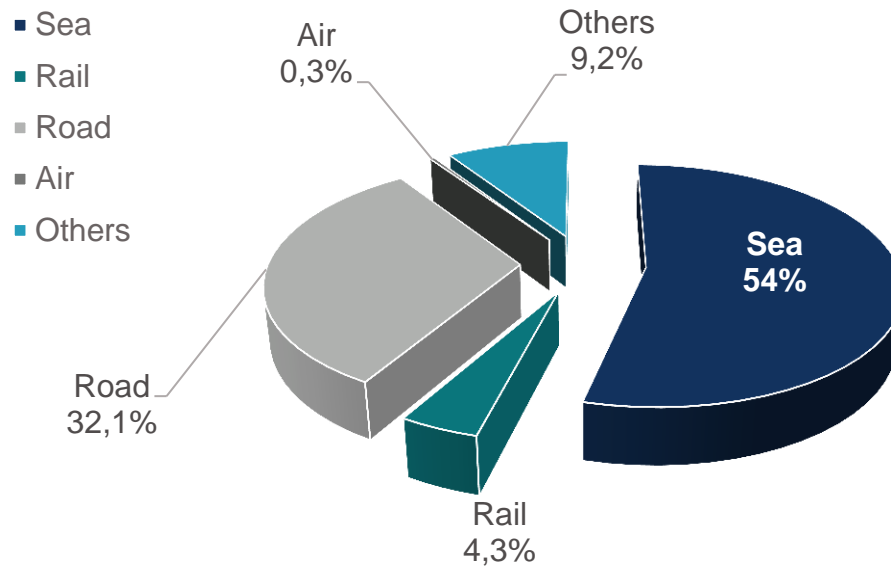
# AGE OF THE ITALIAN AND WORLD FLEETS



Fonte/Source: Confitarma e Clarkson Research Services



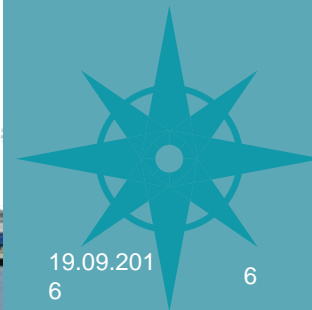
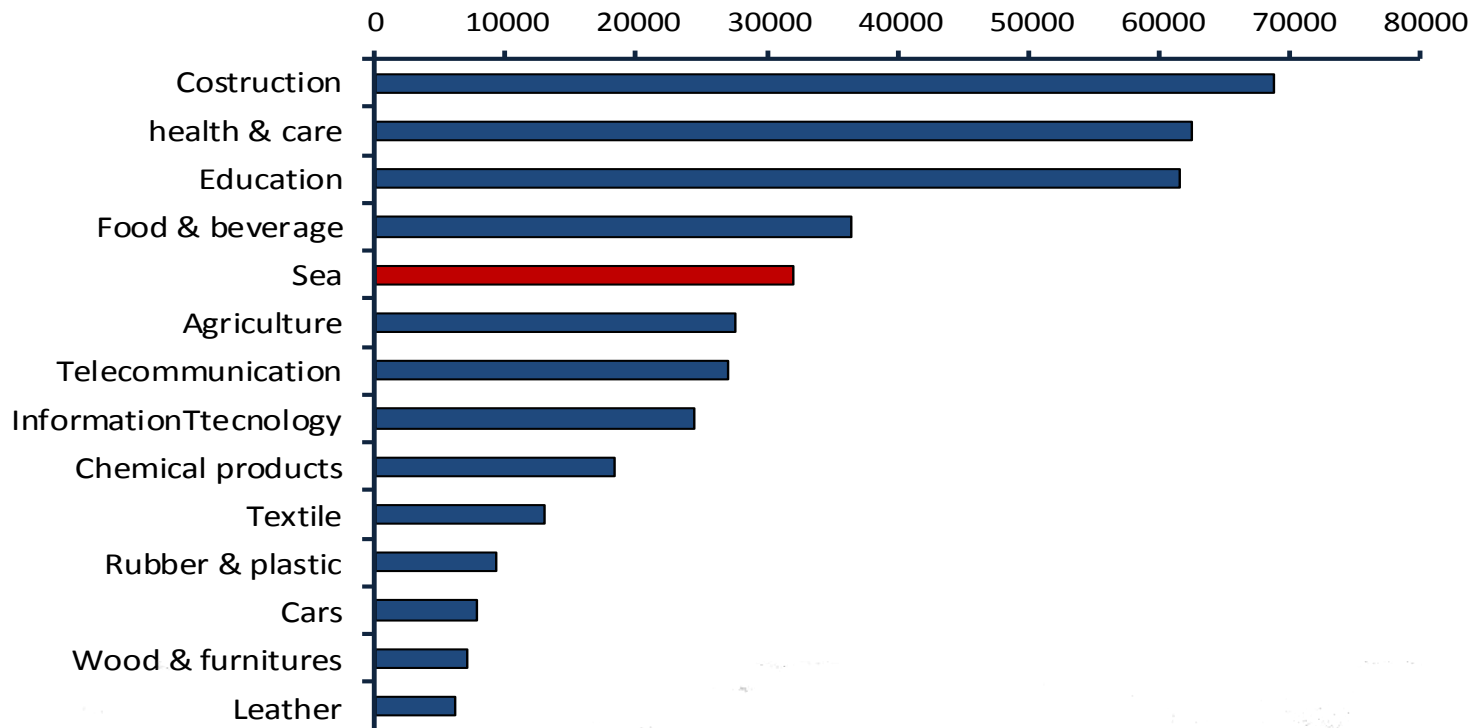
# ITALIAN FOREIGN TRADE BY MODE OF TRANSPORT ON 2015



450 millions tons  
240 of which by sea



# ECONOMIC VALUE OF THE ITALIAN MARITIME ECONOMY



# 10 YEARS OF A SUCCESS STORY IN ITALIAN SHIPPING

## ITALIAN FLEET

+ 65% Employment

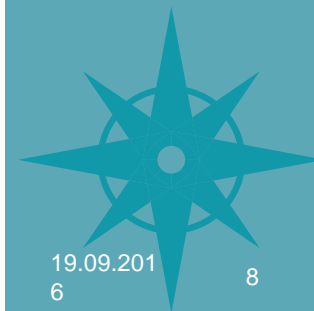
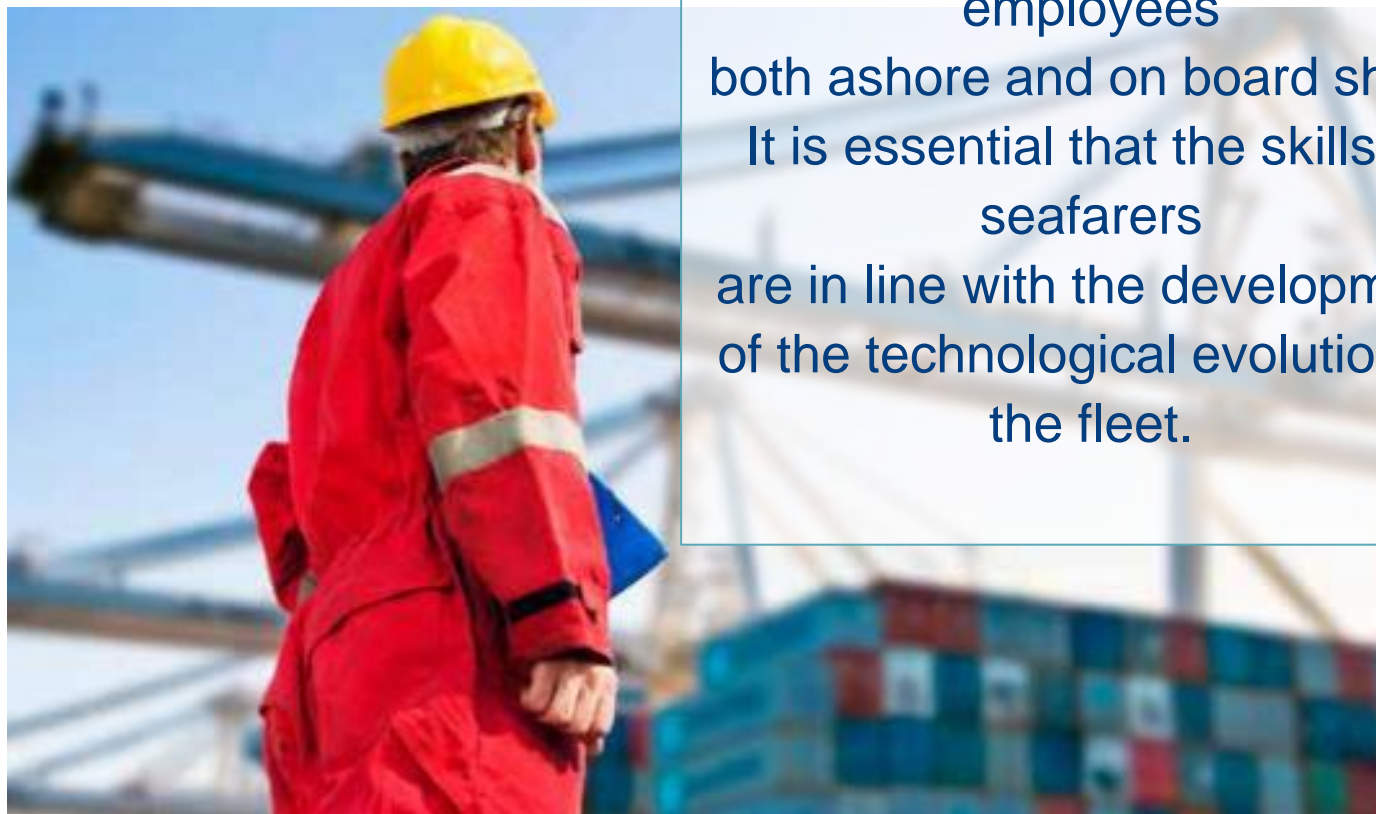
+ 75% Fleet  
development

27 Billion Euros  
Investments



# INCREASE OF EMPLOYMENT

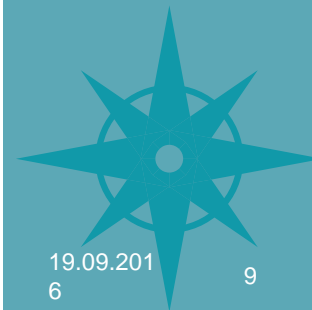
The fleet growth brings  
a significant increase of  
employees  
both ashore and on board ships.  
It is essential that the skills of  
seafarers  
are in line with the development  
of the technological evolution of  
the fleet.



# CHALLENGES: MARKET TRENDS

- extreme competitiveness
- reduced profit margins
- reduced stays in port
  - stringent trip times
  - new ports

Crisis has particularly hit  
the bulk dry and liquid markets



# CHALLENGES: MARKET TRENDS

Global economy still remains on low levels and several recent factors undermine recovery opportunities:

- Geopolitical tensions in many countries
- The economy of most emerging countries is slowing down
- Drop in oil price



**Maritime activity has been  
badly affected by  
economic downturn**

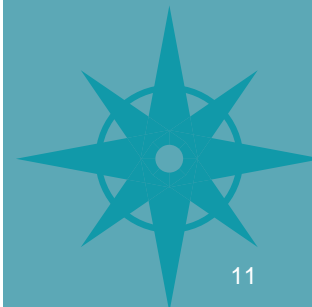


# CHALLENGES: OVERCAPACITY

Acceleration of naval gigantism with the aim to increase capacity and cargo volume and to optimize costs and performances



**Slump in freight rates for all branches (dry bulk, tanker, container)**

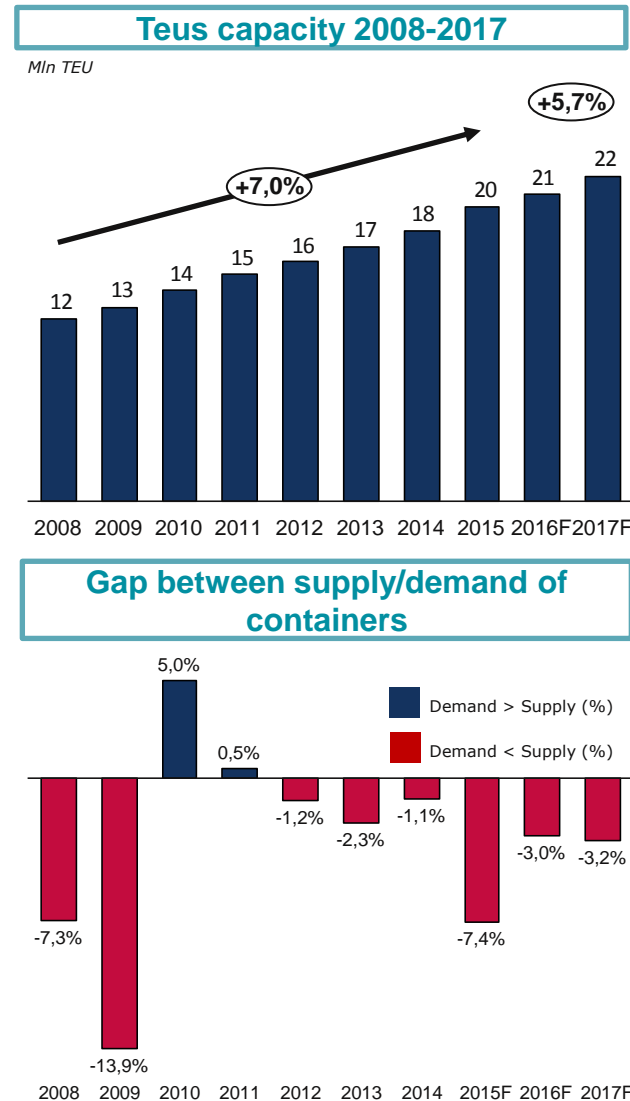


# OVERCAPACITY AND CONSOLIDATION IN LINER INDUSTRY <sup>1/3</sup>

Genova  
18-21 September 2016



- ❖ Introduction of larger and larger ships seeking economies of scale
- ❖ Situation of excess supply in the container sector
- ❖ Commerce contraction and slowdown in infrastructure investments in many developing countries and in Africa due to the downward trend in crude oil quotations
- ❖ Drop of freight rates



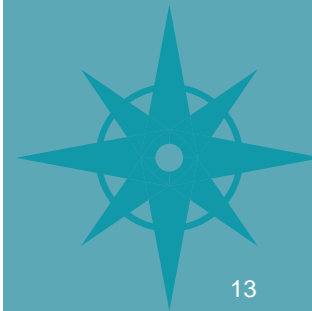
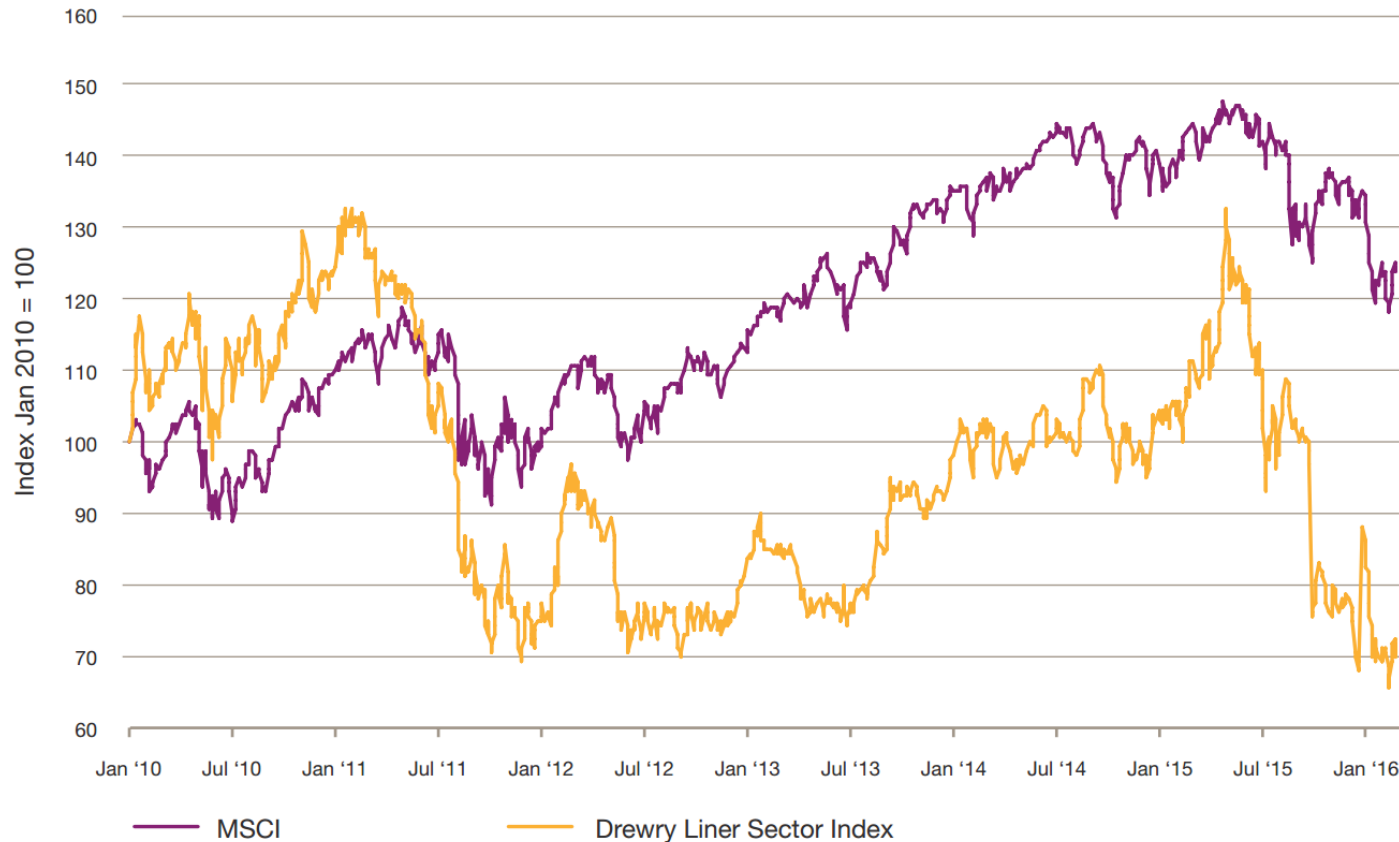
Source: Alphaliner



# OVERCAPACITY AND CONSOLIDATION IN LINER INDUSTRY <sup>2/3</sup>

## ❖ Industry under financial pressure

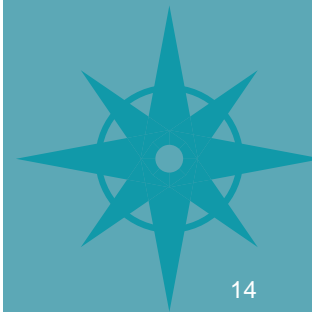
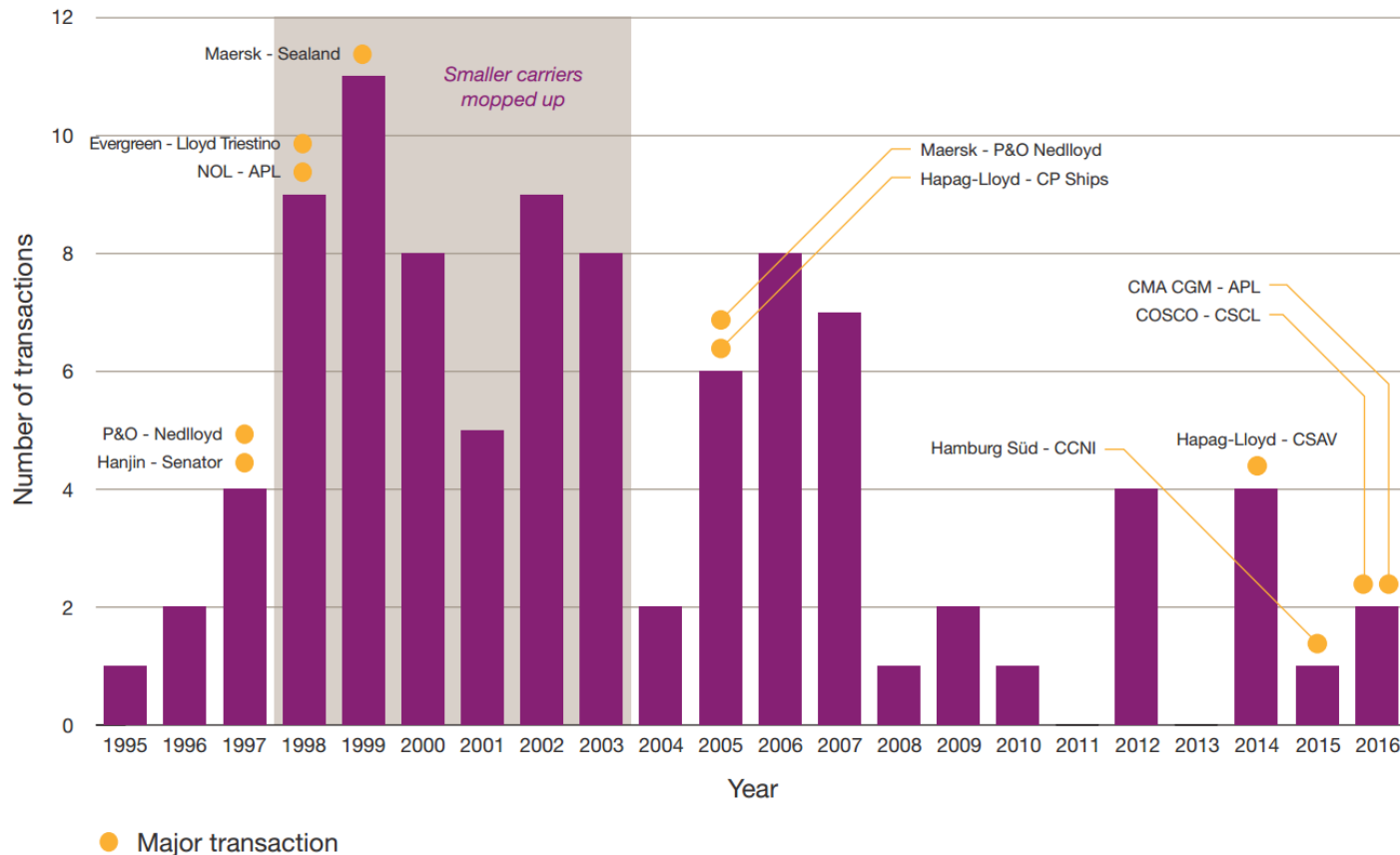
*DMER Container Shipping Index Vs MSCI, Indexed- Jan 2010*



# OVERCAPACITY AND CONSOLIDATION IN LINER INDUSTRY <sup>3/3</sup>

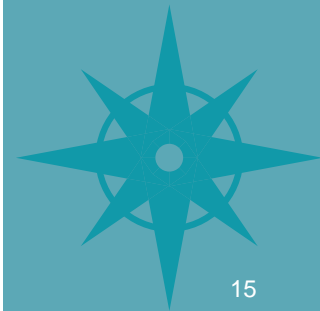
## ❖ Mergers and Acquisitions – back on the agenda?

*Are major transactions back on the consolidation agenda?*



# SHORT-TERM PERSPECTIVES

- ❖ Economic and financial unsustainability (Hanjin case)
- ❖ Various cases of corporate and debt restructuring
- ❖ Significant note: according to the latest forecasts, the global capacity and shipyards will decrease by 20-30% over the next five years. Many small yards are already disappearing especially in China due to lack of orders, and large ones are cutting their production and workforce. From January to August 2016 the new orders amount to 7 million gross tonnage – which is the lowest figure in the last 25 years.



# OPPORTUNITIES

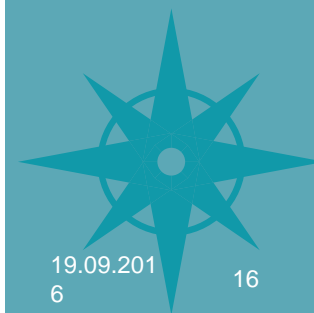
Italian Ro-ro cargo, ro-ro pax  
and cruise markets  
continue to expand

## World leading ro-ro fleets

	Paesi/Countries	Passenger ro-ro cargo		Ro-ro cargo		Totale Total	
		N.	GT	N.	GT	N.	GT
1	ITALIA/Italy	191	2.353.429	60	2.673.368	251	5.026.797
2	Giappone/Japan	261	900.327	75	563.048	336	1.463.375
3	Regno Unito/UK	108	898.224	17	428.531	125	1.326.755
4	Svezia/Sweden	56	798.041	20	497.955	76	1.295.996
5	Cina/China	117	1.224.316	9	49.387	126	1.273.703
6	Finlandia/Finland	46	562.397	33	550.671	79	1.113.068
7	Panama	55	489.853	86	577.306	141	1.067.159
8	Grecia/Greece	174	982.868	5	33.471	179	1.016.339
9	Malta	13	199.785	24	562.762	37	762.547
10	Turchia/Turkey	67	144.008	34	612.144	101	756.152
11	Francia/France	47	708.564	3	28.394	50	736.958
12	Danimarca/Denmark	64	388.230	14	402.433	78	790.663
13	Indonesia	224	491.075	33	180.059	257	671.134
14	Usa	102	264.590	12	401.201	114	665.791
15	Norvegia/Norway	300	660.066	5	288.523	305	948.589
16	Cipro/Cyprus	37	552.531	6	94.311	43	646.842
17	Paesi Bassi/Netherlands	18	279.586	17	312.970	35	592.556
18	Canada	98	489.792	11	86.352	109	576.144
19	Bahamas	23	464.889	8	79.446	31	544.335
20	Spagna/Spain	33	481.092	6	47.124	39	528.216
	Altri/Others	850	3.229.475	342	3.230.016	1.192	6.459.491
	<b>TOTALE TOTAL</b>	<b>2.884</b>	<b>16.563.138</b>	<b>820</b>	<b>11.699.472</b>	<b>3.704</b>	<b>28.262.610</b>

Include/Included Passenger/Ferry, Passenger ro-ro cargo, Passenger ro-ro/Cargo Ferry and ro-ro freight/passenger ships

Fonte/Source: elaborazione Confitarma su dati Clarkson Research Services Ltd Confitarma processing of Clarkson Research Services Ltd data



# CHALLENGES: FLEET EVOLUTION

- new propulsion systems
- ro-ro cargo, ro-ro pax and ever larger container ship
  - new types of tankers
- cruise ships able to transport a growing number of passengers



# OPPORTUNITIES

## **Italian merchant fleet**

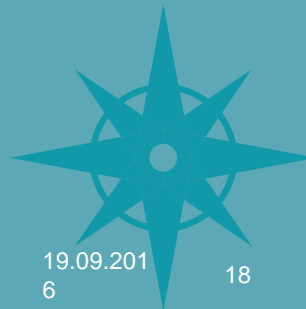
has seen in the last years an important development thanks to heavy investments by shipowners



- construction of new ships
- introduction of technological innovations



- competitive ships on traditional and new routes



# CHALLENGES: PROGRESS AND SPECIALIZED PERSONNEL

New technologies



increasingly skilled seafarers able to manage the new technological development of the ships.

Human resources are the key element to guarantee a safe, efficient and environmentally friendly maritime transport.



# OPPORTUNITIES: TRAINING OF SEAFARERS

**Italian shipowners** have always paid great attention to the issue of training and enhancement of seafarers with a dual aim: to rely on highly qualified personnel and to create real professional opportunities for the young generations



# MEDITERRANEAN SEA OPPORTUNITIES

23  
COUNTRIES



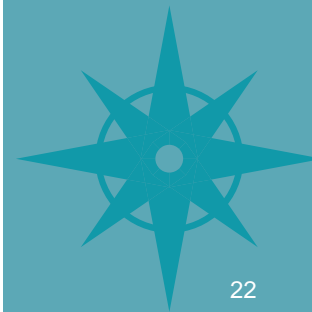
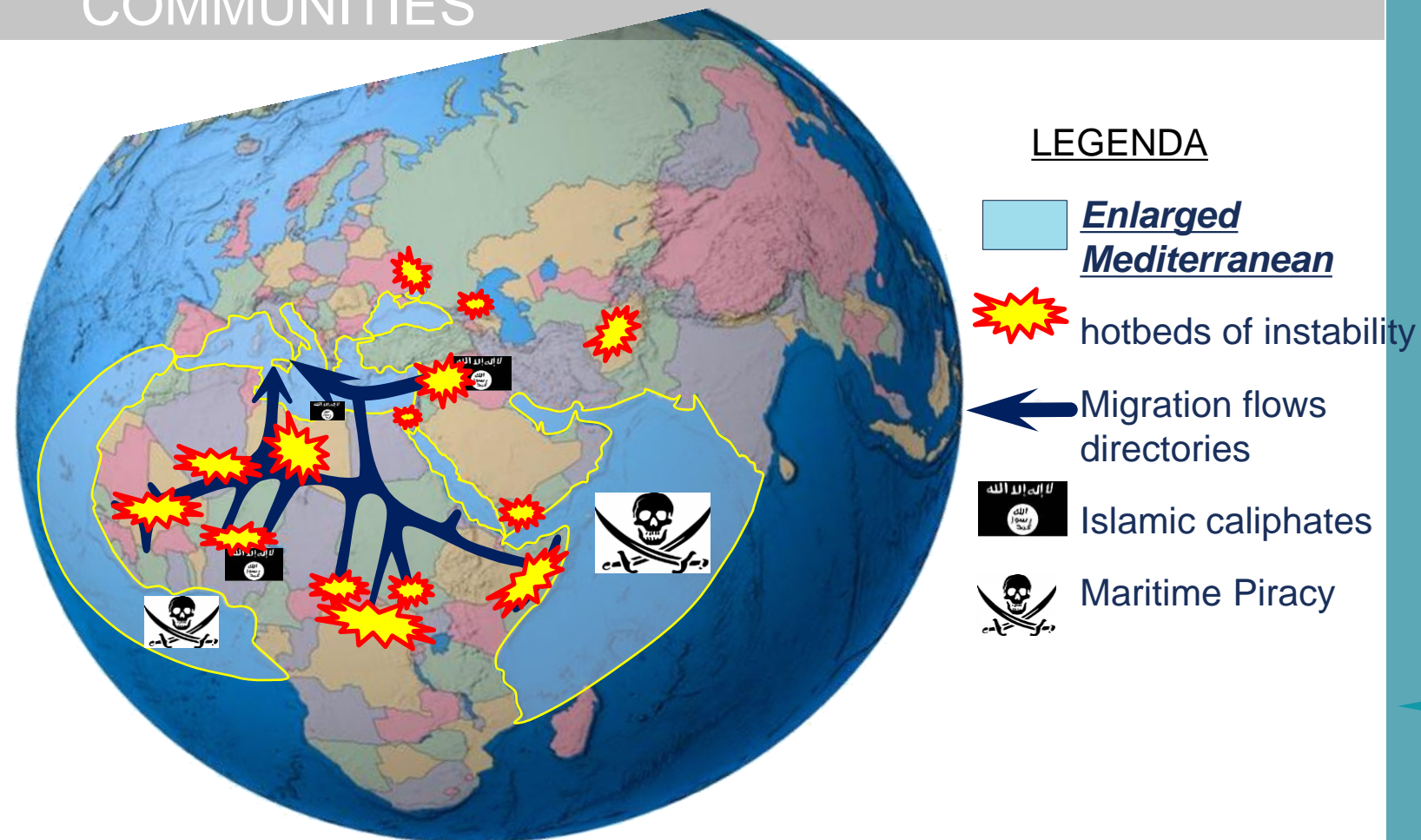
## ECONOMIC IMPORTANCE OF THE MEDITERRANEAN SEA

- 1% OF WORLD SEAS
- 19% OF THE WORLDWIDE SHIPPING PASSES THROUGH
- 30% OF WORLDWIDE CRUDE OIL PASSES THROUGH
- **65% OF EU ENERGETIC RESOURCES**



# MEDITERRANEAN: RISKS

- GENERALIZED **INSTABILITY**
- GROWING **CONFLICTS** BETWEEN COMMUNITIES

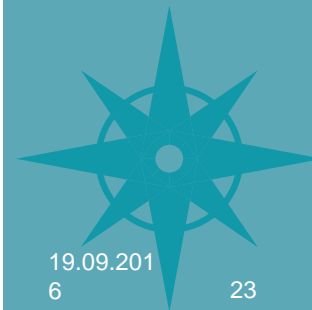
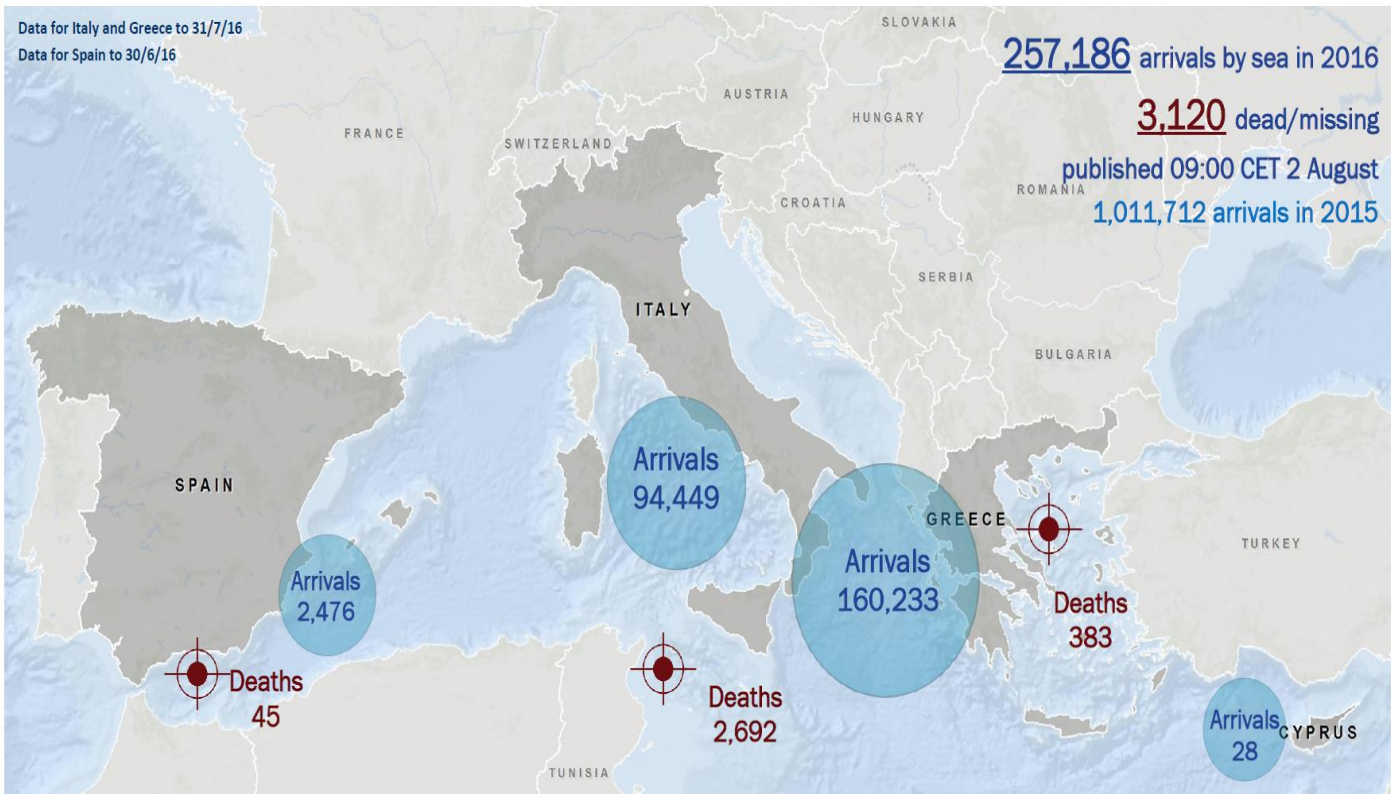


# MEDITERRANEAN: CHALLENGES



## Mediterranean Update

### Migration Flows Europe: Arrivals and Fatalities



# MEDITERRANEAN: MIGRANT CRISIS

Genova  
18-21 September 2016

IUMI

2014-2015

1,374 diverted merchant ships voyages

More than 57,000 saved people

270 Search & Rescue Operations

**Italian shipping**  
Has been the most  
called with

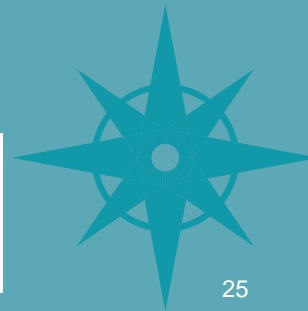
275 called ships imbarking migrants  
12,200 saved people  
388 boats saved



# SUEZ CANAL: THE WAY FOR INTERNATIONAL TRADE

15% GLOBAL  
TRADE

30% GLOBAL  
OIL TRADE



# OPPORTUNITIES: SUEZ CANAL



The expansion of the Suez Canal might have enhanced the centrality of the Mediterranean.

The increased centrality of the Mediterranean in the maritime economy is a trend which continues despite the political instability characterizing this area and the specific incidents with regard to some of these countries.

# SUEZ CANAL: RISKS

EVERY DAY

**9 Italian Flag ships** are in  
the risk area

ALTHOUGH

number of cases  
strongly decreased  
In the last years



# OPPORTUNITIES

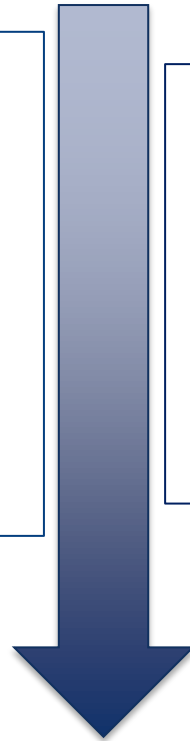
Italy is between two port hubs:

## Northern Europe

- port infrastructural expansion
- investment in new terminals,
  - dredging
- new technologies

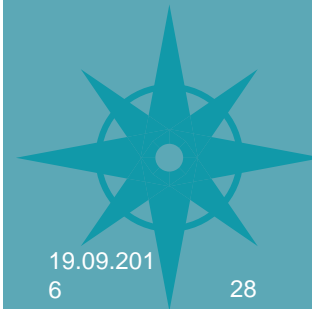
## some Northern African ports

thanks to their free zones, attract investment and companies which plan to become international



And

is having to react to the changes.



# OPPORTUNITIES

The port reform represents a significant step forward, but more needs to be done.

The process has started and must be carried out as soon as possible, as our logistics and maritime competitiveness should be approaching high levels of excellence



# MARINE INSURANCE INDUSTRY: THE ITALIAN POINT OF VIEW



❖ Risk concentration on a lower number of operators, higher insured values, growing exposures and new technologies are important challenges for insurance industry

- ❖ Fierce competition and dropping rates – which are a positive technical factor for shipowners - are mainly due to increasing insurance and reinsurance capacity in the international markets
- ❖ Italian shipowners do prefer domestic companies because of old established backgrounds, long lasting relationship based on continuity. They can rely on high expertise of brokers and professionals with a worldwide network ready to support clients at any time.



# MARINE INSURANCE MARKET IN ITALY

- ❖ Among the first three players operating in Italy we mention Generali and SIAT (Unipol Group) in a leading position both in hull and cargo.
- ❖ Major international Group Swiss Re, which set up in 2012 their hub for European operation in Genoa, are contributing to widen our market and to increase visibility in the international community.
- ❖ Lloyds' have been successful in expanding their involvement in cargo segment with a significant income of about 42 million.



# MARINE INSURANCE MARKET IN ITALY

- ❖ Over the years Italian underwriters have been spreading their book also outside Italian borders. As a matter of fact they are raising their profile abroad more than in Italy with remarkable premiums written in European countries and others.
- ❖ Italian owners policy to be largely covered in Italy proved to be correct and consequently a number of international players have elected Italian market as well.





# CONCLUSION

Italian merchant fleet meets many challenges and risks

But even in times of crisis

The competitiveness of our fleet allows shipowners to continue to

- invest,
- create jobs,
- train young people for maritime and shore careers,
- shipping companies belonging to international groups, to remain under the Italian flag.

WE CAN SEIZE OPPORTUNITIES



Thank you for your attention  
and  
I am now at your disposal  
for any questions

Genova  
18-21 September 2016

IUMI

  
CONFITARMA  
Confederazione Italiana Armatori

Stefano Messina  
Confitarma