

# Italy

## Market Report 2016

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## Italy

Market Report 2016

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### EDITORIAL DIRECTOR

Sam Chambers  
[sam@asiashippingmedia.com](mailto:sam@asiashippingmedia.com)

### CHIEF CORRESPONDENT

Nicola Capuzzo  
[nicola@asiashippingmedia.com](mailto:nicola@asiashippingmedia.com)

### CORRESPONDENT

Jason Jiang  
[jason@asiashippingmedia.com](mailto:jason@asiashippingmedia.com)

### ONLINE EDITOR

Holly Birkett  
[holly@asiashippingmedia.com](mailto:holly@asiashippingmedia.com)

### ECONOMIST

Gary Bowerman

All editorial material should be sent to [sam@asiashippingmedia.com](mailto:sam@asiashippingmedia.com) or mailed to 24 Route de Fuilla, Sahorre, 66360, France

### COMMERCIAL DIRECTOR

Grant Rowles  
[grant@asiashippingmedia.com](mailto:grant@asiashippingmedia.com)

Advertising agents are also based in Tokyo, Seoul and Oslo – to contact a local agent please email [grant@asiashippingmedia.com](mailto:grant@asiashippingmedia.com) for details.

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# Simplification drive

Much red tape is being cut. More could be done to give maritime a greater focus, writes Nicola Capuzzo

In Italy the current maritime and logistics policy is based on “water and rail therapy”, according to the expression frequently used by the minister of transport, Graziano Delrio.



The Italian parliament recently approved port reforms aimed at cutting bureaucracy, reviewing the preceding 22-year old law and assigning to port authority presidents more managerial tasks. Two main points of the reform are the reduction of port authorities from 25 to 15, and the transformation of the port committee (the port’s governing arm) into a more agile management committee.

Delrio described the new port authorities, saying that they “will have a simple governance; the president, the management committee - a board with just a few members, the secretary general, the accountants college. Compared to the current situation, the members of the port authorities will drop from 336 to 70 on a national basis with important public savings”.

About bureaucratic simplification, the new port reform establishes that

the functions of the 23 subjects which currently carry out 113 administrative

port-related procedures, will be reunified in a new customs and control single windows (a front office dealing with all administrative and authorisation procedures for non-commercial and non-industrial activities). According to the minister, the new single windows will speed up

“administrative and customs procedures, which today are much longer than in the other main international ports”.

Another important innovation for Italy’s transport systems is the reintroduction of Marebonus and Ferrobonus incentives, created to rebalance modes of transport, § reducing cargo shipments by road and stimulating short sea and rail transport services.

“Italy’s main objective is to become the natural gateway for cargo flows directed to Central Europe through our seaports,” underlined the minister of infrastructure and transport at the latest assembly

*It’s time for a minister for maritime affairs to be set up again*

of the Italian shipowners’ association, Confitarma.

In that same occasion, Delrio also gave shipowners reassurances about their requests for making the Italian flag more competitive with other leading EU flags. To preserve the Italian merchant fleet, the transport ministry has been urged to set up a wide range of administrative simplifications regarding procedures for registering ships, safety certification, rules on passenger transport at sea and some others. Furthermore, since Italy will soon have to amend its tonnage tax scheme in order to allow other EU flagged ships to access the regime, there is a serious risk of local owners departing, with Malta and Cyprus likely to be big winners from any exodus.

As of today, maritime affairs in Italy involve three different ministries (transport, defence and environment) resulting in a lack of coordination and often in overlapping of law initiatives. Enrico Maria Pujia, director general of maritime, port and inland waterways at the transport ministry, thinks that “a more integrated and coordinated policy for the sector would be desirable” and calls for “a minister for the maritime affairs to be set up again in Italy as it was in the past and as it is in Greece today”. ■

# Call to make Italian flag more competitive and responsive

Italy can boast the second largest registry in the European Union. However, changes need to happen fast to avoid owners flying off elsewhere

The Italian shipping industry finds itself in troubled waters. Although in late 2014 an 8% fleet reduction was recorded, last year the deliveries of new ships led again to an increase of the national fleet, according to the national shipowners association's (Confitarma) statistics.

The Italian shipping industry has preserved its position in the world and in Europe: Italy's fleet ranks second in the European Union and fourth in the world among national fleets discounting flags of convenience such as Panama and Liberia.

According to the most recent Confitarma numbers there are some 1,500 ships under the Italian flag (a decrease from 1,564 in 2013): 273 are tankers, 202 bulk carriers, 440 ro-ro and ropax vessels, 587 service ships (tugs, OSV, etc) and one obo. In the last decade, Italian shipowners invested more than \$1.5bn in renewing their fleets and 436 newbuildings were delivered.

However, data from VesselsValue.com shows that throughout 2015 there were only three ships purchased by Italy-based companies, not considering other shipping firms based in Switzerland, Monaco or somewhere else headed by Italian owners. On the other hand at least 25 vessels were sold by Italian owners in the past year: most of them were tankers offloaded by D'Alesio Group, Fratelli d'Amico, d'Amico International Shipping, Scerni di Navigazione, LGR di Navigazione, Navigazione Montanari, Motia di Navigazione and Premuda. Some bulk carrier were also dismissed by

Sidernavi, Perseveranza di Navigazione and Fratelli D'Amato.

At the latest general assembly held in Rome, Confitarma's chairman Emanuele Grimaldi listed some specific conditions required to make the Italian flag more competitive with other leading EU flags. "To preserve the Italian merchant fleet it has been hard work in the past years due to the economic crisis," he said, adding: "As of today Italy, with 17m gross tonnes, still has the second largest European fleet and the fourth worldwide."

Grimaldi said Italian shipowners are now asking the premier Matteo Renzi and the minister of transport for a wide range of administrative simplifications regarding procedures for registering ships, safety certification, rules on passenger transport at sea and some others.

"Compared to other EU flags, registering a ship in Italy today costs some \$100,000 more due to these factors," Grimaldi contended.

As Italy will soon have to amend its tonnage tax scheme in order to allow other EU ships to access the regime there is a serious risk of local owners departing. Rome should brace itself for an exodus from its flag, with Malta likely to be a big winner. The regime basically allows for the determination

of presumptive income based on the net tonnage of the qualifying ships apportioned to the effective shipping days (tonnage income). Last April, the European Commission agreed to lengthen tonnage tax until 2023, but asked Italy to cease its flag limit and make this same regime available also for other EU flag units.

## Restructuring dominates

Looking back at the Italian shipping industry in 2015, several stakeholders said that mainly three companies emerged as 'buyers' while just about all the rest of the market players are involved in debt restructurings and asset sales.

At the latest Shipbrokers and Shipagents Dinner held in Genoa, Gian Enzo Duci, president of the ship agents association Assagenti, said: "Italian shipping companies are staying strong in the current market scenario with the pros and cons of their traditional family-business models."

On one hand, most of them have not invested heavily in newbuildings when the market was at the top, but on the other hand it has been often a limit on the dimensional side of the fleets managed. According to Duci: "In the Italian shipping industry three well known champions are emerging: Grimaldi Group, d'Amico Group and Costa Cruises. The fourth would be MSC Group but they are based in Geneva) even if they are active in Italy with MSC le Navi Agency, box terminals and the ferry operators Snav and Grandi Navi Veloci."

*In the Italian shipping industry three well known champions are emerging*



Looking at the liquid bulk market Matteo Tomarchio, a tanker broker at Banchemo Costa, tells Splash: “The Italian shipping companies in 2015 benefitted from higher daily rates both for product tankers and for oil tankers in the Med region and in most of the other trades.” Given the fact that some major refineries are relocating and opening in the Middle East, a ton/miles expansion is underway and the traditional routes have changed substantially.

By and large, Italian shipowners have been sellers in 2015 as confirmed by Paolo Cartasegna, an S&P broker with Genoa Sea Brokers. “We have many ships to sell at the moment but the shipping market is bearish, dry bulk in particular, and also the scrap rates are down. For that reason this is not exactly a nice period for shipbrokers too, in Italy and abroad,” Cartasegna says.

As for new investments Francesco

### *Compared to other EU flags, registering a ship in Italy today costs some \$100,000 more*

Fuselli, ceo of Banchemo Costa, believes: “The Italian banks have not disappeared completely from the scene but nowadays they are mostly involved in restructuring instead of looking at new opportunities. However, they are still lending money to solid companies with promising projects and that was also the case of some Italian firms in the past months.”

In the full year 2015, Grimaldi Group ordered eight new car carriers worth \$465m at two different shipyard in China (five to Yangfan and three to Jinling respectively plus options for a further eight units) to be delivered by 2017, while d’Amico Group diversified its activity

in the liquid bulk business going for long range tankers. During the past year Luxembourg-based subsidiary d’Amico International Shipping signed multiple orders with Hyundai Mipo shipyard for six LR1 newbuildings worth some \$265m.

At the end of 2015 the Italian flagged orderbook also included two small chemical tankers for Arcoini Srl (De Poli Group) under construction at Ningbo Xinle shipyard in China, three handysize bulk carriers are still under construction at Chinese Avic Weihai shipyard for Visentini Giovanni Trasporti Fluvio-marittimi and for Globeco, and finally two PSVs will be delivered in the coming months to Marnavi from Selah Shipyard in Turkey. Finally in the port tug sector, in 2015 Damen Shipyards signed five newbuilding contracts with Italian shipping companies such as Rimorchiatori Riuniti, Gesmar and Italtugs. ■



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# Business model questioned

Rarely if ever have Italian shipowners had so much introspection about their future. They describe their plight to Splash

Every year RINA Group becomes more and more of a multinational and multifaceted company, expanding almost everywhere in the world and into many new industries and services.

In putting this magazine together, Splash has been in touch with many of Italy's best-known names in shipowning. Over the next three pages they discuss the markets, their plans and how to make the most out of these trying times for shipping. Many of those interviewed ponder what the future is for family run shipping lines in a nation where bank-led restructuring has become the new normal.

There are three main factors for the present crisis in some shipping segments according to Premuda's president, Alcide Ezio Rosina: the emerging role of China in the shipbuilding industry, excess of credit from banks until 2008 and private equity's liquidity hitting the market in the last few years.

"From financial investors too much money flowed into shipping in a moment when profit margins and returns on investment were already low," says Rosina, adding: "The huge amount of money available for shipowners obviously played a large part in the present tonnage oversupply situation."

Premuda is a very old Italian firm whose origins date back to 1907. The company is very close now to sealing an agreement with the fund Pillarstone Italy (participated by KKR, Unicredit and Intesa SanPaolo) interested at buying banks' loan exposure worth almost €400m (\$443m). Once the deal is closed the company's

business will be relaunched with an injection of fresh new capital.

Looking ahead Rosina wonders whether there will be still space for family model shipping companies in the future.

"I have been in the business for 62 years now," he says, "and I have lived through several downturns in my career but this time something different from the past is taking place."

While 62 years is indeed a long time, Rosina is pipped when it comes to longevity by Aldo Grimaldi, the doyen of Italian shipowners. Now 93, he's still firmly at the helm of Genoa-based Grimaldi Holding, which currently owns four ropaxes.

Grimaldi says the most noteworthy change in the industry in his lifetime has been the extremely advanced technology applied to ships during the design stage. "This means we can see how the ship will perform even before we build it," he says.

The march towards autonomous ships is also something that amazes the Italian. "Thanks to evolution in the field of electronics and computerisation, with a small number of crewmembers, we can manage and monitor the entire ship – even automatically – from the bridge and engine room control station," he notes.

## Messina chases niches



Market and geographic specialisation is helping Gruppo Messina to defend its market share on the trades between

Europe, Africa and Middle East in the ro-ro and container trades.

The Genoa-based shipping company Ignazio Messina & C. is headed by different members of the Messina and Gais families.

In all of its 70-plus year history, Messina has rarely had to deal with so much growing competition, financial hurdles, low freight rates and political instability as now.

Stefano Messina, chairman of Gruppo Messina, tells Splash: "The current market situation in shipping requires changes in assets, in governance and in commercial strategies. At the same time, thanks to the specialisation of our fleet in relation to the markets we serve, we maintain a competitive position."

*I have been in the business for 62 years now, but this time something different from the past is taking place*

## D'Amico's dip in the pool



Italy's d'Amico Group is has upped its Asia-oriented business strategy with the launch of a pool of supramax bulk carriers.

Cesare d'Amico, main shareholder of the company together with his cousin



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Paolo, the past president of the Italian shipowner association, Confitarma, is at the helm of one of the Italy's leading maritime transport groups active in the management and operation of dry cargo vessels and tankers.

The new pool, called Medi Supra Pool Management, is dedicated to supramax bulk carriers from 53,000 to 64,000 dwt and is headed by Thor Andersen, based in Singapore in cooperation with Lucio Bonaso, the ceo of d'Amico's dry cargo unit in Monaco and Ben Wilkes, the coo of d'Amico dry cargo in Singapore.

With a strong and diversified international presence with offices in Monaco, Singapore, Stanford and Vancouver, d'Amico's technical and commercial structure may be functional also to financial institutions, banks and institutional investors who have to manage their marine assets. "We are obviously interested even to consider partnerships with funds that want to invest and enter in our pool," emphasises Cesare d'Amico.

## Dry bulk debate



Angelo D'Amato, ceo of Perseveranza di Navigazione of Italy, takes issue with all the ultra pessimists when it comes to dry bulk.

"I do not agree with the provisions I have heard recently by many analysts saying that the industry seems structurally compromised. Dry bulk is a cyclical business and good freights will return," emphasises the head of the Naples-based shipping company. "What I note these days is that finally the industry

*I can't see  
a way to get money  
to invest and increase  
my fleet*

has started to use massively the only tools available to rebalance the supply and the demand: accelerate scrapping even for less than 20 years tonnage and layup vessels."



Perseveranza di Navigazione is today more a tanker company rather than a dry bulk one, as the company's fleet is made up by one LR1, three

handysize tankers and three bulk carriers (one handysize, one panamax and one post-panamax).

D'Amato's glass half full view on dry bulk is one shared by Nicola Coccia, chairman of Ravenna-based Gestioni Armatoriali.

"Dry bulk is not dead," Coccia says, adding: "This shipping segment is progressively rebalancing thanks to demolitions and newbuilding conversions. It will take some time to experience a significant upturn in bulk carriers rates, nobody can say when it will happen, but sooner or later the market will rebound."

Gestioni Armatoriali owns a fleet of 12 ships: 9 post-panamaxes and supramax bulk carriers and three handysize tankers built from 2006 to 2012.

## Tanker plays

Rome-based Augusta Due is a shipping company founded in 1994 by the Brullo family and active in the liquid bulk market with a focus on Italian cabotage and short sea routes in the Mediterranean.



Raffaele Brullo, ceo of the company controlled by Mednav Group, admits despite the tanker upturn caution is the company's watchword

these days, chastened by tricky restructuring exercises.

"Like many other firms also Augusta Due was obliged to restructure its financial exposure and, as a consequence,

our current strategy is now to hold and consolidate the business respecting all the covenants inked with the lenders," he says, stressing no newbuilds are on the cards anytime soon.



Another tanker player in Italy is less cash constrained and may make moves in the market soon. Following the sale of four modern

gas carriers to the Rotterdam-based shipping company Anthony Veder last year, LGR di Navigazione intends to strategically refocus on medium range product tankers. Carlo Pontecorvo, the Italian shipowner at the helm of LGR, says product tankers offer more interesting returns in the near term. "In case of interesting opportunities, LGR will be obviously prepared to undertake new investments in ships," Pontecorvo adds.

## Family headaches



Elbana di Navigazione is a small shipping company based in Piombino. It is thinking about investing in new ships for a fleet renewal

supposing that Italian banks decide to come back to support the business. Fabrizio Freschi, ceo of the company, says: "It's vital for the shipping industry in Italy to witness a return of the traditional national lenders to the business".

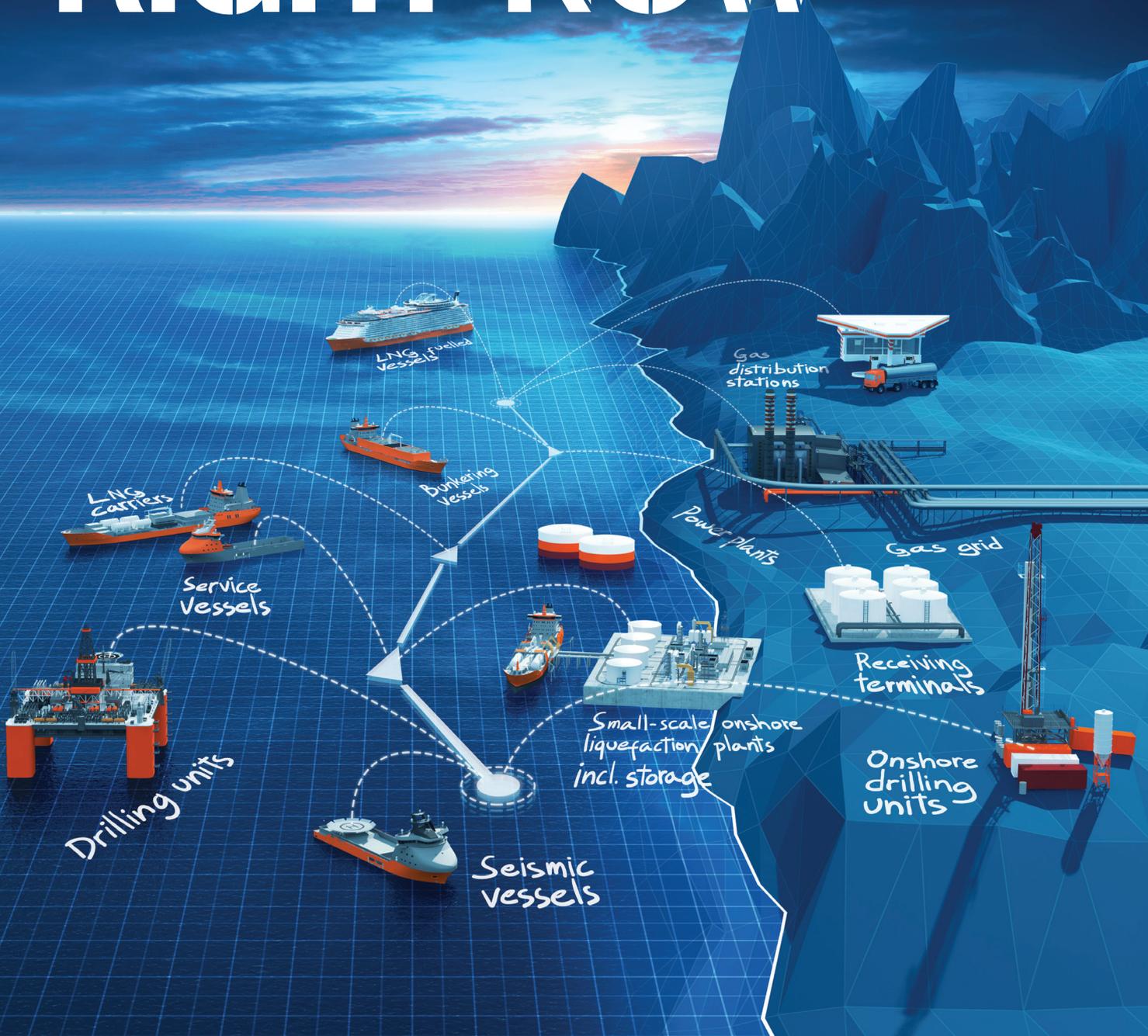
Elbana di Navigazione owns four modern oil-chemical tankers ageing from 2001 to 2009 and between 5,000 and 7,000 dwt size plus the flagship Letizie Effe, built in 2008 and with 20,000 dwt capacity. The company is keen to add new ships to the fleet, Freschi tells Splash.



Michele Bottiglieri is a seasoned shipowner based in Naples, part of a family with a long tradition in the shipping

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business. Like Freschi, he is desperate to see Italian banks come back to shipping.

After many years working with his sister at RBD Armatori, he founded his own shipping company named Michele Bottiglieri Armatore in 2008 and today controls a fleet of five modern bulk carriers: three kamsarmax and two post-panamax units aged between four to six years.

How a small operator might survive in the near future is something uppermost in Bottiglieri's mind when Splash calls by.

"The work of the shipowner is still the same," he says. "Nothing has changed in the way of operating ships. However, some major changes occurred in the ship finance market with the funds entering the market and the banks moving away, especially the Italian lenders."

Bottiglieri wonders how a small shipping company might obtain financial support for further investments in the coming years. "Since we are too small for listing, we can only ask money from the banks which have disappeared from the shipping market. That's why my view for the future is quite pessimistic: I can't see a way to get money to invest and increase my fleet."

This lack of easily available capital is something that is frustrating expansion plans at Bottiglieri's old company, RBD Armatori, too.



Opportunities often emerge for canny shipowners in times of crisis but with a lack of financial support it's hard to snatch them.

That's exactly the feeling expressed by

*It's vital for the shipping industry in Italy to witness a return of the traditional national lenders*

Giuseppe Mauro Rizzo, ceo of RBD Armatori, which controls a fleet of 17 ships made up of six aframax tankers (including 4 LR2) and 11 bulk carriers (four capesizes, four post-panamaxes and three panamaxes).

Looking at the present shipping market trends, Rizzo can see a structural crisis.

"I'm wondering," says, "what will be the future of family-business companies in a fast changing framework where financial systems and traditional lending entities are not working as they should."

Another Bottiglieri is also having to grapple with the strictures of being a family run line in Italy.



Mariella Bottiglieri, managing director of Giuseppe Bottiglieri Shipping Company, founded more than 150 years ago by Captain

Giovanni Bottiglieri, thinks that some important changes are taking place in the shipping industry, mainly due to the entry of the private equity and hedge funds in the sector.

"We see that some private equity investors are trying to exit the market now," says Bottiglieri, adding that financial investors and traditional shipowners have different business approaches. "The latter looks at long-time investment returns with an industrial vision and the final aim is to hand over the firm in good health to the following generations. On the contrary, private equity funds aim at short-term financial gains and don't care about the company's long-term strategies. That's why I cannot imagine a happy marriage between financial investors and traditional shipowners."

Anyway there might be some exceptions since the family-business model might need some sort of renovation, according to Bottiglieri's thinking. "Times are changing also in shipping and companies like ours must modernise. In my opinion a partnership between a shipping company,

as a major shareholder, with a financial investor, as a minority shareholder, might fit for the future. Selling more than 50% of Giuseppe Bottiglieri Shipping Company's shares is definitely something not of interest for us but, in the next two to three years there might be the possibility that our company will consider a partnership also with a financial investor as a minority shareholder."

Giuseppe Bottiglieri Shipping Company today controls a fleet of 15 ships: four chemical tankers (40,000 dwt), 10 post-panamax bulk carriers (95,000 dwt) and one capesize (186,000 dwt).

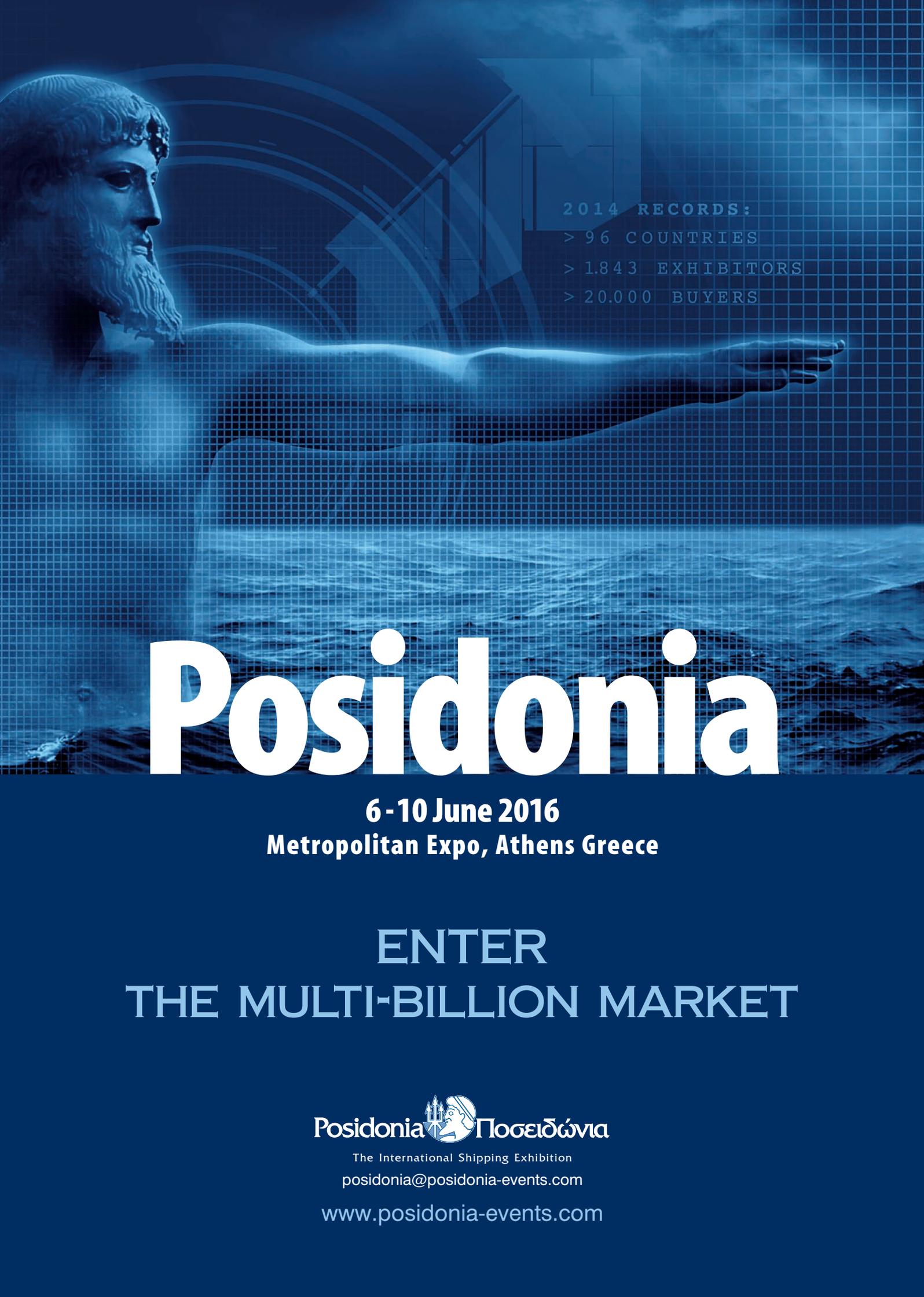
## Avoiding private equity



Following the abandonment of the dry bulk market with the sale of some assets last year, Dalmare's future strategy is to focus on the liquid

bulk business mainly in the Mediterranean. Gaetano D'Alesio, managing director of the company, together with his cousins Mauro, Francesco and Antonio, explains why the company wants to quit the deepsea trades to intensively focus on port bunkering services in Leghorn-based tank farms and on cabotage services in Italy and the Mediterranean.

"Since Dalmare is a family owned company and cannot compete with the new shipping giants backed by private equity investors, we decided to follow a new business strategy oriented to the niche market rather than operating on the main international deepsea routes," says Gaetano D'Alesio, pointing out that the two 40,000 dwt MR tankers, Aquaviva and Caletta, are still operating on the spot market. "We are interested at exploring new business opportunities in the Mediterranean as we did in Algeria where we have chartered out one of our bunker vessels for a long time contract with the national oil company." ■



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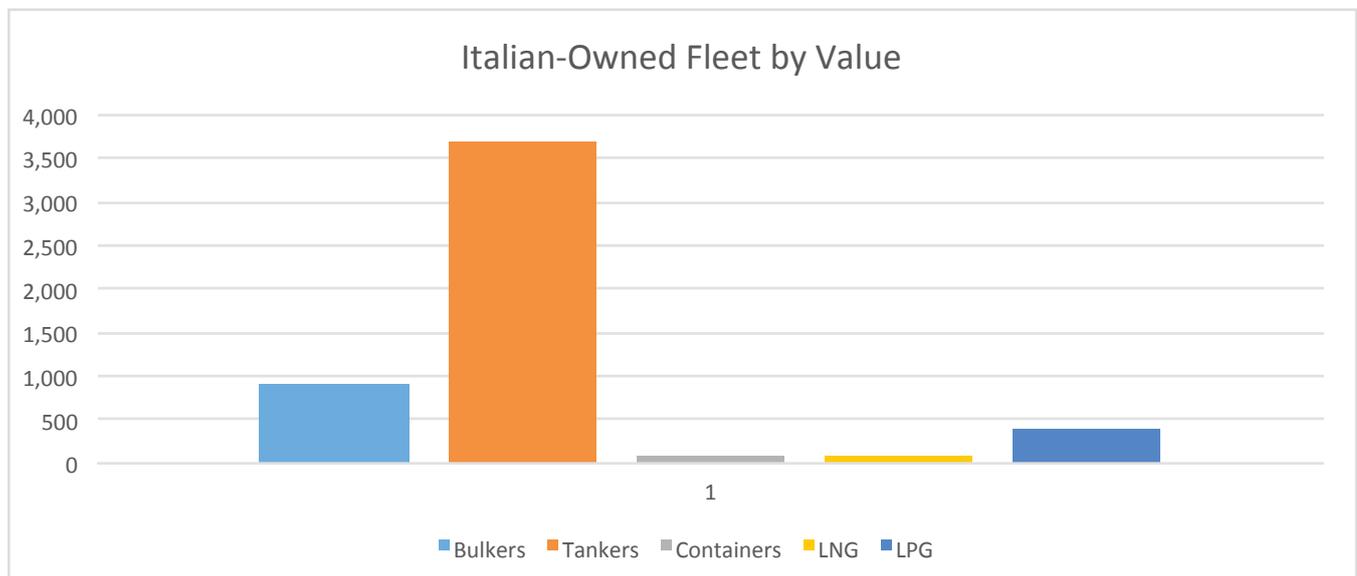
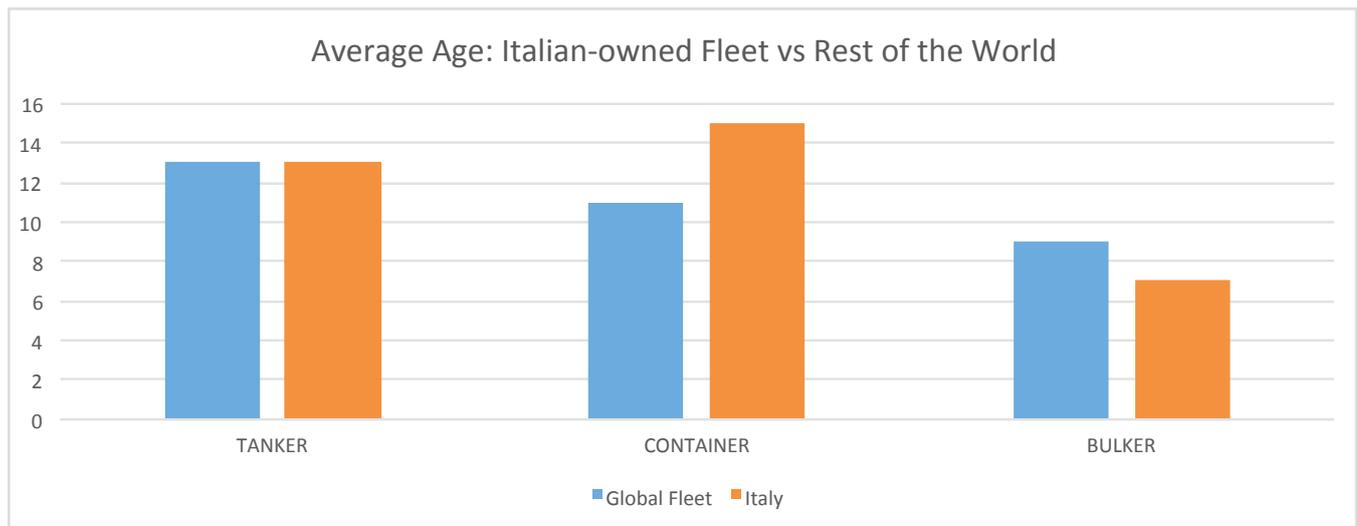
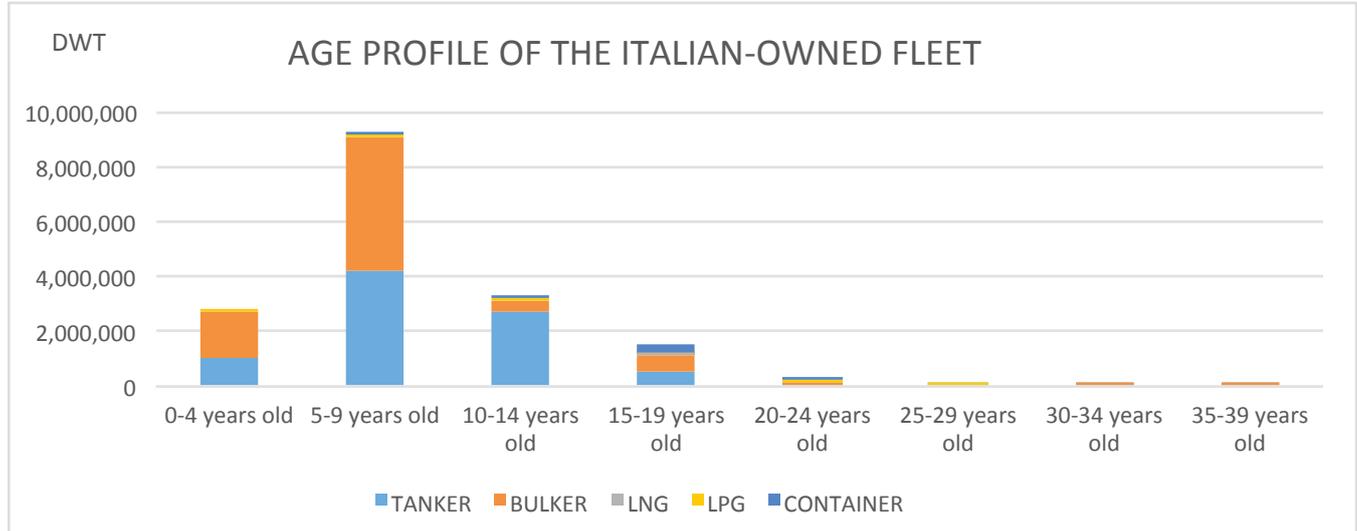
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# Italian shipowning figures

Data provided by VesselsValue.com





# Alternative capital paths

There's not as much cash circling to all owners as in the past

**E**ven with the ship finance market in Italy changing dramatically in the last few years with the arrival of speculative investors, local traditional banks still play a key role for family-run shipping lines, which is just as well given how many foreign banks have practically disappeared from the market.

According to data released by Fabrizio Vettosi, managing director of Venice Shipping & Logistics (VSL) private equity fund, for the time being the overall debt exposure of the Italian shipowning industry with the banks stands at some \$13bn. Roughly \$6bn of this amount are non-performing loans related to 15 to 20 shipping companies still involved in restructuring procedures with the following banks most active in the sector: Intesa Sanpaolo, Unicredit, Banco Popolare, MontePaschiSiena, Banca Carige, Banco Popolare, Bper, Ubi and Banca Popolare di Milano.

"In the future less banks will allocate individually higher funds to fewer large growing groups," Vettosi says.

"Meanwhile, medium and small businesses will have to seek funding elsewhere, particularly through bonds."

The VSL managing director thinks that the shipping industry needs to appeal in particular to large insurance groups and pension funds. "My feeling is that the local shipping market might be ready to welcome a private debt fund to fill the finance gap consequent to some international and Italian banks leaving," says Vettosi, who has been working on this project for a long time now.

Recently a workshop on ship finance, to evaluate what kind of financial tools and opportunities are available on the market to support the development of the shipping business, took place in the port of Augusta organised by the Italian association of young shipowners lead by Andrea Garolla. The Naples-based entrepreneur commented: "Considering the new shipping scenario and other rulings, shipowners need to get ready to undertake new investments in more technologically advanced units in line

with the latest guidelines on emissions, ballast water treatment, eco-friendly scraps, Energy Efficiency Design Index (EEDI), etc. This will occur even exploiting EU co-financing projects related to inland and maritime logistics."

Another potential option for shipowners is the European Investment Bank (EIB) which already has a long-standing business relation for instance with Grimaldi Group. In 2014 EIB and the European Investment Fund allocated €11.4bn (\$12.5bn) to finance projects launched by over 6,700 small and medium enterprises.

The head of the Italian young shipowners association who is looking

*Raise capital from the market now and invest them in ships since asset prices are and will be at historical lows for some time*

at a potential partnership with financial investors added: “Financial investors and traditional shipowners have different business approaches. The latter looks at long-time investment returns with an industrial vision, while private equity funds aim at short-term financial gains and don’t care about the company’s long-term strategies. We would like to ask speculative investors in general to consider the shipping industry as a long-term investment opportunity, thus targeting 10 instead of five years’ time exit strategy.”

Starting from November 2014, the Italian shipowners association, Confitarma, has been organising meetings with representatives of the banks and of the Italian Banking Association (ABI) in order to face and discuss latest trends and facts on the shipping market. In the last gathering held in Rome the major problems characterizing the relations between banks and shipowners in the current scenario were tackled, with specific reference to the many debt-restructuring processes underway.

In this regard, Confitarma emphasised the need and advisability to find flexible, quick and shared solutions, with a view to preserving the unity and soundness of the Italian shipping system, thus avoiding wasting excellence and management skills. The association stressed: “Currently there is the risk that restructuring processes, dragged over time without any prospect for quick conclusion, may lead to liquidations through the sale of assets (or, indirectly, through banks’ assignment of their credit portfolios) at significantly lower values than the nominal ones and to counterparts likely coinciding with hedge funds which are characterised by an aggressive (speculative) approach.”

Goldman Sachs and Deutsche Bank are the first two hedge funds which entered the Italian shipping market with the purchase of non-performing loans of RBD Armatori from Unicredit, GE Capital and Banco Popolare.

## *In the future less banks will allocate individually higher funds to fewer large growing groups*

The shipping companies responded positively to the banking system’s needs, by increasing their managerial and organisational requirements and upgrading communications level and information transparency, with a view to speeding up the financial restructuring processes. Also in the banking system’s interest, in 2014, within the European Community Shipowners’ Associations (ECSA), Confitarma continued its initiative designed to carry out an in-depth analysis of the Basel Accords, so as to supplement and amend them in the medium term, with a view to equating the risk treatment of banks’ exposures compared to similar asset classes.

But what are the perspectives for Italian shipping companies in the present and future finance scenario? Lorenzo Banchero, seasoned shipbroker and chairman of Banchero Costa tells Splash: “I often go back to my initial period in shipping in the ‘50s and ‘60s when, as a young broker in Genoa I could speak with more than 30 shipping companies. Shipowning is a job that some Italians

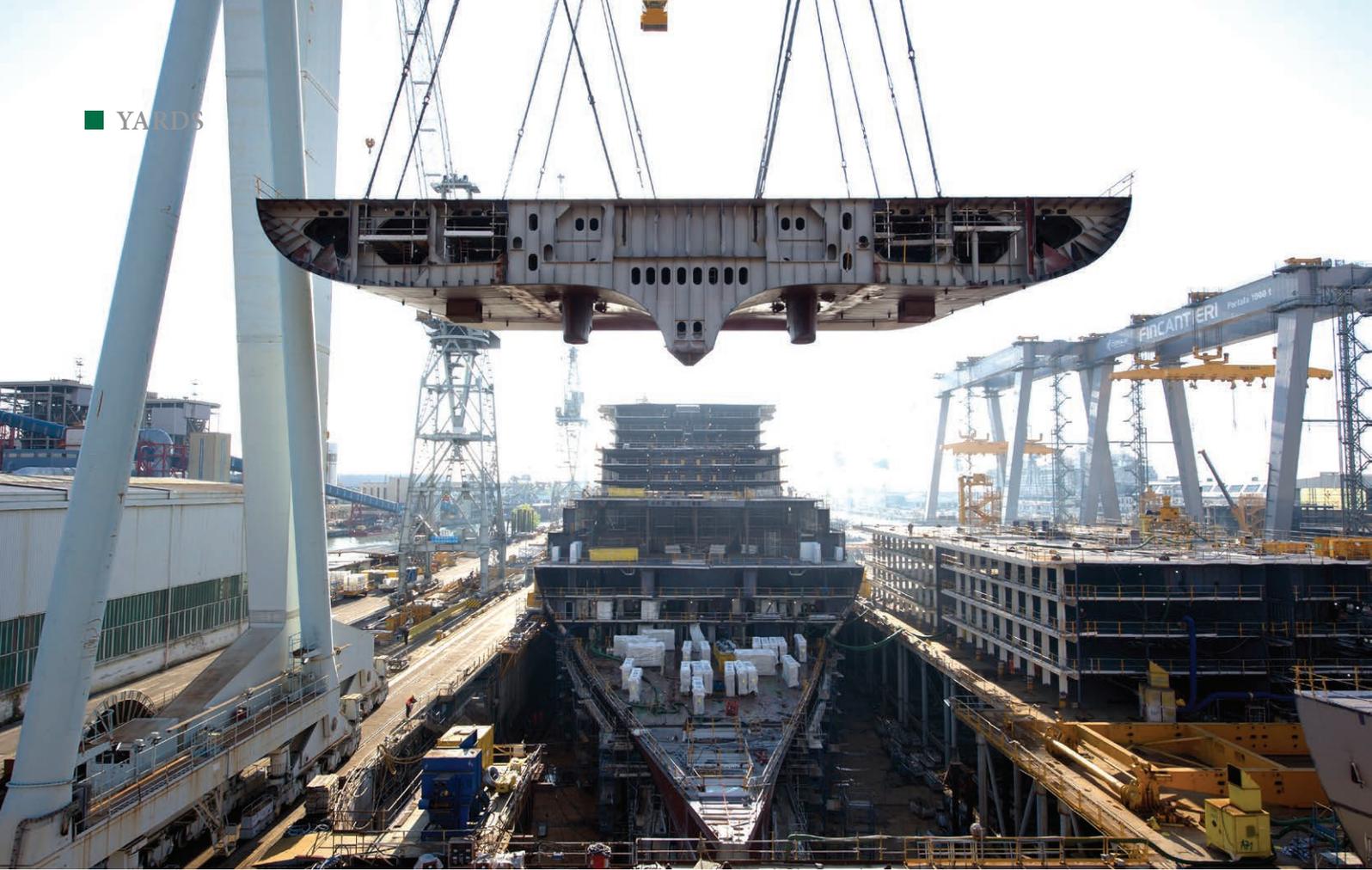
know very well and it’s a pity that the development of bulk shipping in Italy has almost faded away, with the exception of some outstanding companies like d’Amico Group.”

Banchero also notes: “The shipowning business has changed since then, but the present and future generations should be reminded that the traditional Italian ship financing tool called ‘le carature’ was very common in the past and it’s not very different from the present quoted companies shares. Furthermore today’s stock exchange markets have much more liquidity.”

The only two Italian shipping companies listed on Milan’s stock exchange are d’Amico International Shipping and Premuda, not considering Emanuele Lauro’s Monaco-based Scorpio Tankers and Scorpio Bulkers listed in New York.

“My suggestion to the next generation of Italian shipowners is to raise capital from the market now and invest them in ships since asset prices are and will be at historical lows for some time in the near future, mainly in the dry bulk market,” concludes Banchero. According to this expert shipbroker, that’s the only way for the Italian shipping industry to relaunch and grow its merchant fleet which has been steadily decreasing in recent crisis-hit years. ■





# The high-tech road to survival

Italian yards have to pursue niches amid intense competition from East Asia

In the last decade shipyards in Italy have progressively seen their market share erode. Production and capacity in the merchant ship business has been on the slide. From 2000 onwards some of the facilities traditionally involved in building cargo vessels went bankrupt or converted their production to cruiseships, ferries or yachts.

A glance at the statistics published by Assonave, the Italian shipbuilding association, shows that at the beginning of 2015 Italian shipyards had a total orderbook of 855,000 cgt that was worth roughly €3.75bn (\$4.1bn), a 67% and 74% increase respectively if compared to the previous year. Most of this work refers to the new contracts obtained by Fincantieri from Carnival Corporation for cruise vessels, while almost all the other private companies involved in constructing

offshore vessels, tugs and passenger ships suffered the ill winds that the crisis in shipping has wrought.

Competition with Asian players is obviously not sustainable and that's the reason why Italy's shipbuilding industry focused on technological innovation to survive in the current market, while asking politicians to streamline legislation and bureaucracy.

Cesario Mondelli, chairman of the Italian private shipyards association, Ancanap, recently said: "Private shipyards in Italy are ready and committed to the market but we ask to play fairly in terms of global competition, being supported by the national government through adequate financial instruments and insurance coverage on export credits."

Ancanap's head added: "The global crisis drastically hurt the sector because

of nonsense strategies in the Far East, resulting in shipyards' capacity oversupply which depressed the market worldwide. Nevertheless many Italian shipyards succeeded to overcome the crisis and can now target the future with no worry and more confidence."

Apart from Fincantieri, which nailed a number of lucrative cruiseships orders last year, other private companies survived just focusing on quality and specialisation, particularly turning to specific market segments which demand

*The global crisis drastically hurt the sector because of nonsense strategies in the Far East*

technology. Some clear examples are the \$250m passenger ship soon to be delivered by T.Mariotti yard to a company backed by the Sultan of Oman, or the new order for the first LNG propelled ferry for the Mediterranean Sea to be ordered soon by Caronte & Tourist to Rosetti Marino.

By and large some sort of public contributions for the shipyards recently came from Italy's government in the wake of 2015's Stability Law. A €5m (\$5.5m) direct contribution staggered over a 20-year period to fund innovative product or process projects in the shipping sector has been granted by Rome. Confitarma, the Italian shipowners association, has asked the government if they can access these new resources too for owners who

*The lack of investment in facilities that are suited to the next generation of vessels has seen some yards acquire overseas yards*

develop innovative management and organisation projects.

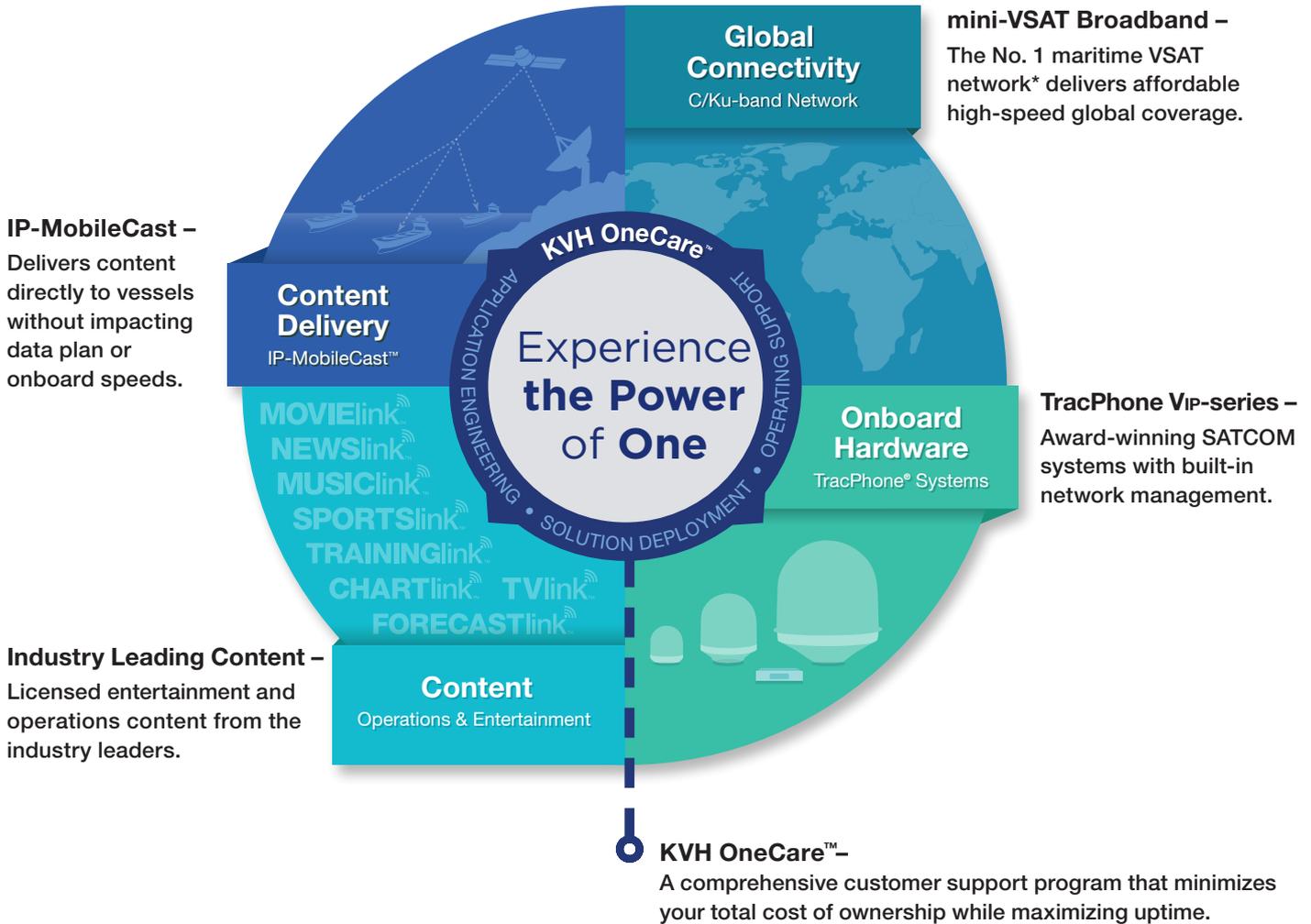
Apart from shipbuilding activity, Italy has a very old and good tradition also in the repair business and local companies' growth ambitions have been fulfilled of late with expansion taking place outside of the nation's borders. This is

particularly true for instance for Genova Industrie Navali, the holding company of the two biggest Genoa-based shipyards, San Giorgio del Porto and T. Mariotti, which are both part of the consortium that has won the tender for the management of Marseilles's number 10 drydock, the largest in the Mediterranean that will be reopened later this year. The lack of investment in facilities that are suited to the next generation of vessels also prompted Naples-based Palumbo group to acquire Malta Shipyard a few years ago. Malta Shipyard today can accommodate ships of up to 300,000 dwt and is well located in the heart of the Mediterranean, with access to ships en route from the Suez Canal to Gibraltar. ■



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# Overseas push

Non-Italian business is close to surpassing domestic revenues at RINA for the first time

Every year RINA Group becomes more and more of a multinational and multifaceted company, expanding almost everywhere in the world and into many new industries and services.

The turnover of the group in 2015 reached above €375m (some \$410m) globally and is split between engineering and advisory services delivered by D'Appolonia, which accounts for around 34% of revenues, and testing, inspection and certification services offered through Rina Services, accounting for the residual 66% of the turnover. RINA's original core business represented by ship classification and services to the marine industry accounts roughly for 43% of the total testing, inspection and certification business.

The Genoa-based company has especially close ties with passenger ship and ferry builders and operators, and also with large yacht builders, two sectors

where RINA is leader in the world.

"Just how close our ties are with Italian shipping is demonstrated by the simple statistic that 93% of the Italian flag tonnage is in class with RINA," underlines Ugo Salerno, chairman and ceo of the group. "We generate about 52% of our revenue within Italy and the rest is spilt globally, with good shares in North Europe, the Americas and Asia. If you look at how the overall group business is growing, the expansion is coming mostly from outside Italy and from new areas of competence, fuelled by a strong and targeted acquisition programme. We plan to continue with that focus, always looking to build our presence in areas where we can grow steadily."

Focusing on maritime businesses outside Italy, RINA has recently expanded in the key Greek market by opening a dedicated R&D centre in Piraeus. In Canada and in the US RINA has expanded through the takeover respectively of a marine survey company and a leading company in the field of oil and gas inspections last year. The Italian classification company is also increasing its market share of local shipowners in Asia, especially Indonesia and China, and in North Europe where the new Hamburg office, which opened in February this year, will have double the current capacity and a full scale plan approval centre.

In the cruise industry RINA is currently classing two 5,200 passenger cruise vessels ordered at Fincantieri by MSC Cruises, plus four luxury cruise vessels (two each for Silversea and Seabourn). Looking ahead Fincantieri is working on the design of the next

generation LNG-powered cruiseships, of which Carnival has already ordered four to RINA class to be built at Meyer Werft.

## *Expansion is coming, fuelled by a strong and targeted acquisition programme*

The company headed by Salerno also chairs, facilitates and participates in numerous governmental bodies and EU research projects. "One example is a major project to help facilitate the creation of an LNG bunker chain in the Mediterranean. Of course, apart from the strictly marine field, our expertise is in high demand for LNG handling and exploitation, with FLNG projects in Indonesia, Chile and other countries," the CEO says.

RINA has started a capability building program for its Shanghai office in order to be ready to provide the rising Chinese cruise industry with all the necessary support, including training courses for yards and designers, assistance in design and calculations, drawing approval and supervision of construction.

Looking at the Middle East, and especially the Arabian Gulf, which represents a strategic growth area for RINA, Salerno is also keeping a close eye on Iran. "With sanctions lifted we will see a strong demand for both engineering and certification/classification services and RINA is well-positioned to expand across the Gulf into Iran, especially in the oil, gas and products sectors," says the class veteran.

Finally, in Southeast Asia, the bright spot for RINA is today in Indonesia with a classed fleet of 500 ships, totalling over 1.4m gt in 2015. ■



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# Ultra large challenges

Few terminals are ready for the latest generation of container vessels

Italy's import-export flows of cargo by sea are based on a framework of over 20 seaports spread out over the Tyrrhenian, Adriatic and Mediterranean seas. As of today there are 24 active port authorities (this number is actually subject to revision with a dedicated reform law of national port regulation underway) in several business segments: container, breakbulk, cruise and ferry, dry and liquid bulk cargo, deep sea ro-ro and motorways of the seas.

The general annual throughput of Italian ports account for some 460m tons handled, plus roughly 44m people from ferries, high-speed craft and cruise vessels. The 13 major Italian ports handled 10,071,909 teu in 2014 and considering the comparative analysis of the top 32 European and Mediterranean ports shows that in 2014 the traffic share of Italian ports totaled 11.53% (as against

14.32% in 2007).

For the time being one of the main challenges for the sector is the increasing dimension of the ships, both for containerships and cruise vessels, that only a small number of ports can accommodate resulting in a sort of natural selection still underway.

Moreover, as happened also for dry and liquid bulk shipping, financial investors are entering the port infrastructure market. In 2015, for instance, the UK-based iCON Infrastructure fund purchased a 45% stake in the Spinelli Group, which operates a container and multipurpose terminal in the port of Genoa.

In the last few years Italian ports handled annually over 10m teu but, as

*Italian ports' market share is falling*

mentioned before, the traffic flows are being routed to ever fewer terminals able to receive and work the latest generation of containerships of 10,000 to 15,000 teu capacity. The two main gateway terminals are located in Genoa (Voltri Terminal Europa, owned by PSA) and in La Spezia (La Spezia Container Terminal, controlled by MSC and Contship Italia) and handle over 1m teu each every year. Both these terminals and also Trieste Marine Terminal based in the north Adriatic are investing heavily in new quay cranes.

Daniele Testi, marketing manager of Contship Italia, tells Splash: "At La Spezia Container Terminal 2015 will be remembered as a year of change and achievement. The fourth quarter saw the conclusion of the quay crane upgrade plan, with 11 STS cranes now deployed, providing unmatched advantages of being the only Italian gateway port currently



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capable of handling simultaneously two ULCVs and 30,000-plus teu of ship capacity concurrently at berth.” The La Spezia gateway terminal continues to focus on improving all-round efficiency levels, strengthening the role of intermodal services with more than 200 trains per week to and from plentiful destinations in Northern Italy and Central Europe.

Meanwhile, Voltri Terminal Europa and the forthcoming infrastructure under construction for APM Terminals in Vado Ligure (due to be opened in January 2018

with 800,000 teu annual capacity) in a few years time will be the first Italian terminals capable of receiving the latest generation of 19,000 teu containerships thanks to deep drafts and modern cranes. In the North Adriatic sea Trieste Marine Terminal (jointly owned by TO Delta and MSC) has been recently awarded a 60-year extension for the concession to operate the Trieste container terminal in exchange for new investments worth around €190m (\$205m). Once these works will be completed, also Trieste will be able to accommodate two 14,000 teu

### *The nation handles more than 10m teu a year*

boxships simultaneously.

Looking at Italy’s container transshipment activity, MSC - Contship Italia’s jointly owned Medcenter Container Terminal is the main hub in the southern region but volumes handled in 2015 resulted in a near 20% decrease due mainly to global carrier network changes. In 2014 the total throughput of the Medcenter Container Terminal was some 2.97m teu. ■



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# The ingredients of a great maritime nation

Caroline Huot from UniMarine reflects on what makes Italy such a great maritime nation

**M**y job as a global provider of marine lubricants keeps me travelling across the world more days of the year than perhaps is healthy. However, I can say without a doubt that any trip that takes in Italy is always a pleasure. There is always something special about visiting Italian owners – heritage, kindness, prudence, savvy – these are just some of the words I'd use to describe them.



Italian owners go back generations. Yes, they have adapted to corporate environments, but they still tend to be private, family companies with a wealth of experience. It is this knowledge, handed down through centuries, that makes them intuitively conservative, with a canny knack to understand cycles, knowing when to buy and sell. Italian owners tend to stand out for their entrepreneurial zeal and their strong values.

Italy tends to be a resilient market. This

downturn has been harsh on the local scene, but speaking with people on the ground it is clear that owners are now chomping at the bit to get back wheeling and dealing.

Another great aspect about Italian shipowning that is quite different to many other maritime nations is the geographic spread of the owners. In many countries, just one or two cities tend to hog most of the shipowners. Whether you're in Rome, Genoa, Ravenna or Naples you'll meet up with old friends – and just across the border in places like Monaco and Lugarno there's plenty more Italian owners too.

The ports scene is impressive in this Mediterranean nation with a very strong set up that stretches the length of the peninsula all the way down to Sicily. The

port of Genoa has been doing especially well of late, taking lots of business from Algeiras and Marseilles over the past five years.

Finally, another reason why Italy is such a great maritime nation is down to its strong commitment to training, something that is increasingly rare in Europe. There is good collaboration between government and the private sector in this regard. I've visited a number of schools and have been impressed at the infrastructure and the quality of courses and the wide experience of the teaching bodies. Moreover, many of these schools come with guaranteed employment for graduates as a commitment of the supporting ship owners towards these institutions – something not to be taken lightly in today's troubled markets.

In short, Italy has a huge amount to offer maritime-wise, and I'm already looking forward to my next visit. ■

*Italian shipowners have adapted to corporate environments, but they still tend to be private, family companies with a wealth of experience*

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Kaity Arsoniadis-Stein LLB, LLM  
Executive Director

✉ [kaity@vancouverimc.org](mailto:kaity@vancouverimc.org)



[vancouverimc.org](http://vancouverimc.org)