THE ROUTES OF THE LION

Studies, Research and Projects of the Venice Port Authority
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The European future of the Italian port system

prefaces by Romano Prodi and Luciano Violante

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SUMMARY

7 Preface
   by Romano Prodi

13 Preface
   by Luciano Violante

THE EUROPEAN FUTURE OF THE ITALIAN PORT SYSTEM

19 Introduction

29 Italian ports between protected markets and markets
   open to competition

63 For an infrastructure policy for Italian port activities

121 Regulations on multi-port and logistical systems

215 The multi-port-corridor of the North Adriatic
    and the NAPA (North Adriatic Port Association)

261 The Venice ‘port of call’ in the multi-port system
    of the North Adriatic

317 Author biographies
The thesis around which the present essay revolves is that the future of the Italian port system is critically tied to the role it is able to secure within the European port system. Will it be a co-leader or only a second lead? This is a question that, as with many others in Europe today, will find its answer more at the continental level than the national one. From the beginning of the third millennium, and with an acceleration heightened by the ‘American’ crisis of 2008–2010 and the ‘European’ crisis of 2011 and still continuing today, the growth of the Member States of the European Union has become increasingly dependent on their capacity to conquer the markets of emerging economies: economies no longer relegated to the role of delocalised factories along the supply chains of developed countries. This is a phenomenon that will only be reinforced if there are in the next 15 years, as estimated, at least 1.8 billion new participants in global consumption, which as a consequence will redouble to reach 64 trillion dollars annually.¹ And since a not insignificant portion of this market will be satisfied by freight exported and imported from Europe and to the Far East, South America and Africa, maritime traffic is set to take on a crucial role in the development of the continent and European ports will become critical junctions for its

competitiveness. But which ports? This question is the consequence of another factor accompanying the growth of global commerce: the prevalence of the Europe-Asia relationship (8.8% of global trade in 2011) over the traditional one between Europe and North America (4.8% of global trade in 2011). This is an epochal change that from the strictly geographical point of view catches off guard the entire European port, transport and logistics system, historically centred on the ports of the North Sea and the inland navigation, railway and road system connecting those ports to ‘old Europe.’ An efficient system capable of extending the Northern European port system’s market to almost all of continental Europe. On the other hand, the major flows of freight from and to the Far East that enter and exit the Mediterranean through Suez (but also the traffic that, in spite of political instability, is developing with the south side of the Mediterranean, from Turkey to Morocco) offer a sizeable geographical advantage to European Mediterranean port systems, the Italian one among them. This advantage can be exploited in Italy in two ways: either a hub and spoke pattern centred on a few transhipment ports located as far south as possible and from which depart feeder services directed toward a multiplicity of final destination ports or attracting final destination services in the ports located as far north as possible in order to exploit their land proximity to the markets of ‘old Europe’ as well as the markets of central-eastern ‘new Europe.’ For more than ten years straddling the close of the twentieth century, Italy was able to exploit the first situation, cultivating the idea of acting as a European wharf or Mediterranean logistics platform serving the entire continent. And so it was that the port of Gioia Tauro came to process almost 3.5 million containers (TEU) in 2008 and Taranto and Cagliari were successively put forward as further Mediterranean hubs. This perspective, however, needed to—and must—reckon with the fact that global shipping continues to prefer the ports of the North Sea, including as terminals for the Asia-Europe relationship (Mediterranean transhipment captures little more than 10% of the traffic that crosses the Mediterranean Sea entering from Suez and headed to Europe), with strong competition from other Mediterranean hubs like Malta and Algeciras, but especially—for a few years now—with competition from the new transhipment ports located on the south side of the Mediterranean and near—Port Said and Tanger-Med most of all—the doors of the Mediterranean, respectively, Suez and Gibraltar. In short, a difficult, hard outlook.
And one which can be withstood by fostering the loyalty of a few big global operators and especially through major productivity incentives, but that cannot exhaust all of the prospects cultivated by the Italian port system. Which can and must—as explored by Costa and Maresca in this book—play the game, a more open one albeit just as difficult, of providing direct service to end markets. A challenge that plays on comparing the ‘history’ that gives an advantage to the Northern European port system and the ‘geography’ that gives an advantage to that of Southern Europe. A ‘history’ that in this specific case translates into a process of cumulative causation that the ports of the North Sea, Rotterdam most of all, wisely cultivate, increasingly exploiting the economies of scale that they already enjoy. With sizeable and timely investments, the ports of the North Sea have further increased the scale of their activity, triggering what is for them a ‘virtuous’ circuit with big shipping companies. It is a process of cumulative causation that sees port gigantism justify a level of shipping industry gigantism (18,000-TEU ships are already active and 22,000-TEU ships are under construction) that was unimaginable up to now, which in turn further encourages port gigantism. This process has further effects on the land side, pushing consolidation of the linked logistics structures (freight villages and logistics centres) that need to manage the increased scale of operations and the race to the expansion of a few European transport and logistics enterprises that will, inexorably, take control of markets that are today served by many more national and local small operators. A process that has the effect of taking out of the game, at least temporarily, all of the ports that do not adapt themselves to the new ‘needs’ of shipping industry gigantism, but also a large part of the global container fleet if alliances between major operators (like the announced P3 Network between Maersk, CMA-CG and MSC), to handle a large part of global traffic with the bigger container carriers, should come to produce the forecasted effects. This is a process that merits some reflection from the point of view of collective convenience, but that at the same time dictates the timeframes and methods to be followed for the adaptation of every port system that does not want to relegate itself to the margins of the global and European market. It is clear that the shipping industry gigantism/port gigantism innovation is guided by parties that do not internalise the external costs, for example the forced obsolescence of the smaller port structures and ships existing today. And this ‘market
failure’ is not being attended to by anyone in Europe at the moment, although it is probable that the European Union will want to answer the invitation to handle it that has been presented by the American regulator, the U.S. Federal Maritime Commission, to European and Chinese colleagues. At this time, only the United States is imposing a limit to the size of the ships that serve it, and the West Coast, which is the American coast with the greater direct interest in Asian traffic, is resisting port adaptation to shipping industry gigantism. The run up between shipping industry gigantism and port gigantism is at the moment a privilege in operation solely on the route between Asia and Europe, but one that promises to extend itself to the Asia–USA and USA–Europe routes as well. It is up to European port policy to take a position, sooner rather than later, similar to the American one and compare the advantages of gigantism with the disadvantages of the rapid forced obsolescence of a large portion of the port and logistics infrastructures of the Old Continent. Escaping as a whole all forms of Luddism and therefore, at the same time, launching the progressive expansion of an opportune number of port infrastructures, as well as some linked transport and logistics infrastructures, capable of best serving the European market. And it is here that ‘history’ should give way to ‘geography’ in order to imagine rebalancing, from the South, the Black Sea and the Mediterranean, the incoming and outgoing supply of European markets through traffic to and from Asia. With a reduction in the overall costs of transport (sea more than land) and its external costs in terms of pollution and the congestion of European road, railway and inland navigation networks that increases the sustainability of the entire system. This is a goal that the European Union has set, using its infrastructural policy—the one implicit in the definition of the trans-European TEN–T networks: the core network, to be realised by 2030, and the comprehensive network, to be realised by 2050—to focus specifically on a few core multimodal transport corridors, all rooted in the South as well. Focusing on adapting the ports at the root of the core European corridors to compete with the ports of the North Sea appears to indicate good sense, which this book declines in the case of Italy. A case that presents a peculiarity linked to its distribution of mountain ranges and settlement density: the impossibility of satisfying the requirements of scale dictated by its European competition through the expansion of one or another of the existing ports. In Italy, the scale of Rotterdam, and likewise Antwerp and Hamburg,
can only be achieved by joining forces, treating a group of ports like fungible ports of call in a single multi-port system. A few multi-port systems at the root of a few core corridors that concern Italian territory. The authors propose five of them—multi-port and corridor logistics systems—dictated by the better combined use of the twelve ports defined as core ports during the European planning of the TEN-T networks. Multi-port systems to be built on the infrastructural plane as well as the organisational one. On the infrastructural plane, there is a clear and impressive programme of necessary investments, for every port of call of every multi-port, sometimes for adapting nautical accessibility, sometimes for expanding the on-land operational spaces and always for adapting the 'last mile'—especially rail—connecting to the core land networks (railway, road and inland navigation). It is an investment plan that can seem frightening, but that is also unavoidable, on penalty of the marginalisation of the Italian port system and Italy as a whole, and manageable since held firmly safe from the highs and lows of the political cycle from today until 2030, the date by which the construction of the core network of the trans-European network will need to be completed. This is an infrastructural construction that cannot avoid being accompanied by a parallel organisational construction. The definition of five ‘European Port Authorities’ suggested by the authors should be able to count on the redefinition of the rules of the game that is currently underway as much at the European level as at the Italian one. The European reform of port services—now in the third round of attempts at definition in Brussels—and the revision of Italian port law (as well as that relative to logistics centres) are occasions not to be missed for increasing the competitive opportunities for the Italian port system in the global context. European interjection becomes clear and even more interesting in the case of the multi-port and corridor logistics system of the North Adriatic, where it would be fully rational for the multi-port system to become transnational, including not only the Italian ports of Ravenna, Venice and Trieste, but also the Slovenian port of Koper and the Croatian port of Rijeka, ‘constrained’ by European and global competition to cooperate and compete at the same time. There is an all-European challenge within the port challenge that requires the boldness of an ad-hoc project founded on reinforced cooperation. These are organisational and political innovations of tremendous breadth, but they are the only ones in step with the times, which are times of globalisation and
immense technological progress. It would be difficult today, in any part of the world, to pass from one productive model to another—in the present case, from individual port operators jealously protective of their natural hinterland to multi-ports serving large contestable markets—without recourse to innovations on every front: including the technological one. This is the point of view from which to evaluate the project for the offshore/onshore port system of Venice. It is a project that, making a virtue out of necessity, proposes a revolutionary model of port management that serves a multiplicity of land terminals from a single open-sea platform. A system that exploits more than one pure innovation, from a new unit of measure—the cassette (a container for containers) which holds 320 θeu; a transfer system that uses lash vessels to carry these cassettes to a multiplicity of sea, lagoon and river terminals and a combination of ship-to-shore cranes and port cranes that conjure up the organisational magic of avoiding intermediate open-sea storage. What results from all of this is a system that promise performances equal to the best ports in the world. And it is in setting and conquering challenges like these that Italy can hope to defend its role in the world, by now become very small.
Transport policy in recent years has been effectively lacking in virtues, courage and innovative power. No reform worthy of this name has been proposed or much less approved in any of the strategic transport sectors in the last fifteen years.

In the sector of transit logistics, and so of port facilities, it is patently clear that Law No. 84 of 28 January 1994 remains inadequate in regard to the aim of promoting corridor traffic. Originally highly innovative after the rulings of the Court of Justice in the early 1990s, Law No. 84 was immediately exceeded through how it was applied and interpreted. While this law was intended to implement the Union’s law, all of the arguments were invoked, even out of context, for reducing the impact of the Union’s law, starting precisely from the achievement of effective competition, market access and full employment.

Instead of focusing on a few ports capable of supplying continental Europe in the spirit of article 170 of the Treaty on the Functioning of the European Union (TFEU), we witnessed an immediate proliferation of Port Authorities, often entrusted to persons doubtfully in possession of the requirement for ‘the highest degree of expertise and proven professional credentials in port and transport management’ described in article 8. But most of all, Law No. 84, instead of being applied in order to open the market on the basis of the clear indications of the European Court, served to create barriers to market access (worse than the notorious article 110 of the naval code—the so-called supply of port work—which led to the ‘port of Genoa’ ruling), discourage investment by big traffic and
finance companies and, in short, protect small interests not always capable of promoting corridor traffic. However, and this is what matters most, Law No. 84 even betrayed the European social aims, penalising in fact the protection of work and safety: things were in fact attributed to the ‘port of Genoa’ ruling that it certainly never said, as the ‘Ghent’ ruling a few years later confirmed: and namely that the activity of ‘stevedoring’ introduced by the port companies is not illicit in and of itself, but only when it determines an illegal case in point or unlawful market protection. What derived from it was a massive externalisation of loading and unloading services, giving rise to entities that, like the Port Company of Genoa, on the one hand, as authorised pursuant to article 17, cannot stay on the terminal market and on the other hand, as a provider of a service of general interest, are unable to create employment opportunities. It would have been better if the EC law had been applied in its integrity, compelling the enterprise that works in the port to hire the personnel necessary to the carrying out of normal operations. It appears to me that the matter of work and its regulations is a big theme that a serious government must sooner or later face with transparency and courage: it is a delicate issue, so much so that the European Commission did not feel up to imposing discipline on it in the recent timid, but inescapable, proposal for port services regulation.

The role of the Port Authority is therefore central, between the needs for market regulation and necessity for public administration and promotion. In this volume, it is proposed that the new Port Authority, rigorously technical in content and the top management of which is chosen following an American-style procedure, should report, as pertains to transport policy and promotion, to the Ministry of Infrastructures and Transport and, as pertains to market regulation, to the Transport Authority, finally put into effect in recent months. And so, I subscribe to the relationship between the Transport Authority and Port Authority outlined in this volume, even if a redefinition of the spheres of the latter, such as to make them coincide with the relevant market, appears indispensable in this sense. Equally well, the volume proposes abolishing protective regulations like article 16 and those following it to assign the regulatory body broad power, substantially under the control of the Transport Authority, invested with the power to adopt atypical measures necessary to strong market performance. It appears instead necessary for transport policy, or the strategic administration, to be
heavily guarded by the centre especially where the need to coincide with the Union’s transport policy choices comes into relief. The choice of location for the strategic infrastructures, in part with the aim of protecting private investors, is in fact up to the centre in the context of a plan that, unlike that of the present day, must be binding and unchangeable through an ordinary legislative procedure.

Continuing on the theme of the logistics sector, no response has been given to the need for intermodal planning. It is unacceptable that a country like Italy is crossed daily by thousands of lorries travelling routes of over five hundred kilometres in the presence of a multiplicity of landings that can serve the Motorways of the Sea and logistics centres serving the itinerant motorways. The rulings of the European Court on Austria, but especially the lines approved by the European Union, also require Italy to make a classification of traffic according to type and duration. In this sense, the initial attempts being made by Grimaldi Lines and Trenitalia to sell joint services together (for example, Munich-Barcelona or Travemunde-Tunis) lead to pressing the government to have a little courage. It is clear that, as pointed out by the authors of the volume, a Motorways of the Sea policy also presupposes common rules and regulations for maritime services in the Mediterranean. In the absence of uniform rules and regulations, in the sense defined by traditional Euro-Mediterranean agreements, insufficient (or unfulfilled) today, the Motorways of the Sea intended by the transport policy pursuant to article 170 of the TFEU are at risk.

Another major theme confronted in the volume by Paolo Costa and Maurizio Maresca is that of cargo railways. I, too, believe that, beyond the minimum level of liberalisation of railway services enforced by European Union law (and it is a shame that the third packet did not in fact progress with the introduction of the principle of real separation recommended in turn by the same granting authority of competition and the market), with this normative/regulatory organisation the national rail carriers will continue to play a role: they will presumably continue the activity of integrating the various logistical links (terminals, shipping and hauling). And so it appears logical that, if one wants to achieve significant levels of traffic, one cannot disregard certain basic options for transport policy that also concern cargo railways. Thus, in part as pertains to Trenitalia, if the results in the passenger sphere were a success, having been given an answer to the guarantee of mobility of article 14 of the TFEU, action in
the field of cargo railways is indispensable. And it is shareable that to this end one adopt as a reference parameter the DB Schenker plan on the one hand, which dates to the early 2000s, and the Alitalia 1997 plan on the other, when a significant injection of public capital in the form of increased capital was qualified by integration/alliance with complementary parties and the locating of the hub to avoid serving a plurality of access points.

Lastly, the theme of infrastructures calls for confronting the simplification of procedures in their construction. Overly detailed regulations that sanction merely formal conduct, and that are not measured by goals, are in fact the occasion or excuse for why the public administration blocks all operations. A country that proceeds with only exemptions and that always relies on the generosity of the administration, does not work and fosters abuse. It is necessary, therefore, to redefine the regulations that require conduct toward the protection of the environment or safety, applying parameters to them that respect the goal that one intends to pursue. Remaining on the theme of infrastructures, it appears to me that the introduction of a measure that guarantees the certainty of the law and avoids to the greatest extent possible legislative and regulatory risks is wholly supportable. In this volume, one imagines a path and a juridical foundation based on European Union law, the operational sphere of which would thus also be expanded to purely internal cases in point. One could also achieve the same goal, however, departing from a constitutional modification that many hold to be necessary.

In conclusion, I am convinced that the proposals of Paolo Costa and Maurizio Maresca must form the basis of a path of reform that I fervently hope the government intends to initiate, also as concerns infrastructure and transport. I will just mention that the same constitutional court, quite recently, confronting the constitutionality of the law that institutes the Transport Authority (Ruling No. 41 of 2013), did not hesitate to declare the transport sector as the one most resistant to innovation, consociational and inspired by protectionist logics. But I will again mention that this very sector, according the illustrious opinions of economists (Andrea Boitani), is the only one that, freed from restrictive market measures and truly oriented toward traffic, has the greatest potential for contributing to the growth of Italy.
THE EUROPEAN FUTURE
OF THE ITALIAN PORT SYSTEM