



Logistics and Economic Development

Economic scenarios, infrastructure analysis and growth prospects

SRM

Center for Economic Studies and Researches for the Southern Italy and the Mediterranean Area

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The logistics chain is complex and multifaceted: it encompasses both manufacturing companies which aim to internationalise, or to ship and process their goods, and business sectors such as land and maritime shipping, and rail transport, which face macro and micro issues of invariably great importance, which need to be solved as soon as possible.

The aim of this new study is to define four "pillars" for the development of logistics, a solid and necessary platform from which to boost the sector's takeoff in Italy.

To achieve this aim, the project identifies the most important obstacles that are holding back the sector, examines possible strategies to relaunch investments in infrastructure, outlines potential growth horizons in terms of countries and territories, and stigmatises errors which must not be repeated in future cohesion policies.

In conclusion, this brief summary clearly outlines the vision that SRM has adopted in taking on this study: a conception of logistics not as a sector closed in on itself, but as a reality capable of affording Italy the international vocation that our economy has a strong need for, especially given the current historical phase, in which exports seem to be the only lifeboat available to our cumbersome “Ocean liner” of a country.

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In 2007, the paper *“Poli logistici and sviluppo del territorio”* rang an initial alarm bell on how Italy was setting out on a worrying path towards losing competitiveness on the international markets, also due to a lack of investments and the inability to implement necessary reforms, in particular in the sectors involved in the logistics chain (with ports, interports, and the maritime sector at the fore). The logistics chain is complex and multifaceted: it encompasses both manufacturing companies which aim to internationalise, or to ship and process their goods, and business sectors such as land and maritime shipping, and rail transport, which face macro and micro issues of invariably great importance, which need to be solved as soon as possible.

The sector is worth 200 billion euros and accounts for 13% of GDP. One million people work in the logistics services sector, either directly, indirectly, or in related industries; these figures give an idea of the potential of the asset we are discussing, and that this paper analyses by taking an innovative approach.

If on the one hand the paper follows up on previous works - taking a desk and field

approach, and offering interviews with major Italian players - on the other it sets forth elements of originality: *interviews carried out abroad* with leading companies in the fields of manufacturing, logistics, and infrastructure; the indication of new regions in which to invest, such as the *Med Area*; drafting of *case studies* with the contribution of authoritative collaborations.

More in detail, the paper is divided into three parts. The first part, which presents an overview of the study and its findings, is followed by the core research section, contained in the second part of the document, and dedicated to the analysis of the sector in the national and international context. The investigation begins by examining the factors guiding the competitiveness of Italian logistics in relation to the globalisation and company internationalisation processes, and subsequently analyses the new geography of world trade in relation to its strong interconnection with the trends of maritime transport. It then considers in detail the peculiarities and value of the sector in the Italian economic and territorial context (with specific reference to some of the sector's distinctive traits: volumes handled, routes, and port traffic).

The second part of the paper continues by offering an articulated analysis of logistics relations between Italy and the Mediterranean: logistics scenarios, commercial relations, as well as a special section on Tunisia, its performance and logistics and infrastructural strategies, plus case studies such as the one on the Tanger MED port and its strategies. Sections are also dedicated to the Italian companies with their representatives explaining how and why they invested in these territories.

An exhaustive overview of Italy's logistics infrastructures is then offered, with special focus on interports, which are elements of a more complex system in which ports and railway networks also play a central role, together with the road system, which remains of major importance. Specifically, the current situation of Italian interports is analysed with the aim of highlighting their different characteristics and operational structural specialisation models, describing their productive capacity, the activities carried out, and their potential; a statistical analysis is then provided on the number of sector companies active in Italy, necessary in order to identify the most logistics-intensive areas of the country.

Part two of the paper is closed by: an organic picture of the planning and financing instruments used for logistics in our country; an overview of category associations; the role played by the financial world; that played by Italian, European (Danish, Croatian, Hungarian), and Asian (Chinese) companies, and by foreign stakeholders, for instance the

Qingdao port.

The paper is rounded up by part three, which includes five case studies.

An analysis is drawn, with a territorial perspective, of: the logistics system in Lombardy, with particular focus on the main contextual factors and on the regional policies adopted to support the development of the sector; the new growth strategies for Southern Italy (the Mezzogiorno) within the context of Inter-Mediterranean relations (the SSS lever and value-added logistics); the competitiveness and efficiency of the supply-chain, with an overview of logistics criticalities in Italy, including the results of a survey carried out with shipping companies. On the other hand, a sector viewpoint is taken to analyse the competitiveness of Italian logistics through the findings of a sample-based survey of the manufacturing sector; innovation and integration in process logistics for the exports of Italian agro-food supply chains.

In conclusion, this brief summary clearly outlines the vision that SRM has adopted in taking on this study: a conception of logistics not as a sector closed in on itself, but as a reality capable of affording Italy the international vocation that our economy has a strong need for, especially given the current historical phase, in which exports seem to be the only lifeboat available to our cumbersome “Ocean liner” of a country.

Logistics relations between Italy and the Mediterranean Area

The economic prospects for countries with shores on the Mediterranean reflect the changes that are taking place internationally, as well as the policies and strategies being pursued by the governments of the region to support the transport and logistics sector as a driver of economic growth.

The internationalisation process of the economy, and the globalisation of trade, has prompted a reorganisation of logistics and productive flows to the advantage of the most convenient economic areas in terms of cost of labour and factors of production.

Within this process, the introduction of containers has also undoubtedly represented a crucial factor for the development of production and distribution delocalisation strategies, via a reduction of transport costs and of their weight on the value of the goods handled: up to 2008, this allowed maritime transport to experience considerable growth. The change in the face of the international economy, that has seen the role played by countries of

previously marginal development gain importance, to the detriment of the stability of Western countries, is today feeling the effects of a very deep crisis. Shipping companies, to take on the effects of the drop in demand, have revised their strategies to adapt to new market conditions, and to equip themselves with the necessary instruments to compete. For this very reason, the ports of the South and East Shore have become serious competitors of the European ports, not only because port operations and services cost less, but also because the local authorities have put in place regulations which simplify bureaucratic and customs procedures, therefore allowing time to be saved as well.

The analysis of the transport and logistics sector in Tunisia highlights its weight on the economy of the territory, and the attention the Tunisian government is devoting to its strengthening and development as a driver of economic growth in the country.

The funds allocated to the sector by the new Plan have increased, with appropriations in favour of maritime transport more than doubled, and funds assigned for the first time to support the Logistics Zones: an improvement of Tunisia's logistics efficiency could generate a five-point increase in gross domestic product, and create 35,000 new jobs.

The efforts made by the local authorities to improve infrastructures are among the main advantages acknowledged by the increasingly numerous Italian companies active in the logistics sector that choose to enter the North African market, together with sector regulations considered as being more flexible.

One of the deepest changes introduced by globalisation in the maritime transport sector has been the shift in focus from route to logistics chain, which incorporates in a complex flow all the services that are functional to the organisation of an articulated performance cycle, of which vectoring remains a key aspect, but is increasingly flanked by the value-added services of modern logistics. The choice of ports of call depends on the efficiency and convenience of the services offered within the specific logistics chain and on the corresponding reliability of the services provided directly by the operators. This new condition also explains why, in choosing ports, shipping companies and shipbuilders afford increasing importance to certain features of procurement chain management, to the point of taking direct responsibility for the process in many cases. This process, that has always existed in the container transport chain, is now also taking hold in the truck and mixed segments of maritime transport.

This is the kind of offer the Maghreb countries are focusing on, by making important

national investments and approving logistics projects aimed at attracting foreign investments. However, they are facing the risk of losing the competitive advantages gained due to the social tensions tied to the Arab Spring, that have heightened country risk, prompting many major carriers to turn back to European ports, which guarantee greater stability. Spanish ports have promptly taken advantage of this opportunity, with Valencia and Algeciras emerging as the leading ports of the Mediterranean in 2012, although Italy also benefited thanks to Gioia Tauro, which made up much of the ground lost in recent years and ranked 5th in the Basin.

The success of our country, however, is linked with the choice made by MSC to rely on the port of Gioia Tauro, rather than to the effects of policies geared to supporting and strengthening the logistics sector. The main issues tied to infrastructural, bureaucratic, and procedural restraints slowing port operations still linger.

However, there is no shortage of growth opportunities: in addition to demand tied to international flows, North-South flows are experiencing ongoing growth, as a result of increased feeder shipping and trade between the two shores of the Mediterranean. Italy is the Med Area's leading trade partner: import-export trade in 2012 was worth more than 67.5 billion euros (around 9% of total trade between Italy and the world), up by 17% compared to 2011. As regards the favoured means of transport, the main channel through which Italian goods travel to and from the Mediterranean Basin is maritime shipping, which accounts for over 70% of the total.

The logistics system, and ports in particular, are therefore offering Italy an important opportunity to resume economic growth.

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