A LOOK BACK ON 60 YEARS IN SHIPPING

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I would like to thank the Genoa Chamber of Commerce and the Institute of International Economics for this prestigious award.

Who, who like me began working just after the end of the Second World War, will recognise that those were years of considerable opportunity.

Circumstances then just as today play a crucial part in the success of any business.

It has been a wonderful experience to witness the development of our sector, from the arrrival of the first Liberty ships of 10,00 tons to the 400,000 ton capacity ships of today.

In the beginning, Liberty ships were our daily bread: these were sold or even given by the Americans to shipowners from countries viewed as friends.

Out of a total of 2,700 Liberty ships constructed in US shipyards from December 1941 to June 1945 (equivalent to a rate of two ships a day!), 128 went to Italy.

If I remember rightly, the first Liberty ship to arrive in Italy was the "Montello" of the *Navigazione Alta Italia* company, owned by the Piaggio family, whose offices were in the centre of Genoa.

During the 1950s and 1960s, in the dry bulk sector alone, there were around 230 shipowners operating throughout the city. Notable names of the time included Febo Amedeo Bertorello and Andrea Corrado.

During those years, Italians, Genoese included, were extremely active on the shipping market.

Senator Bibolini, a Liberty shipowner, was perhaps the first in the world to place orders in Italian shipyards during the 1950s for 16,000 ton "Bibolini Type" vessels. This type of ship – a self-

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trimming bulkcarrier – has continued basically unchanged to operate in the bulk segment, increasing over time its capacity to more than 200,000 tons.

The Genoese shipowners of the time, understanding changing market needs, replaced Liberty ships and converted tankers into bulk carriers so as to gain an increased capacity of four or five thousand tons.

An awareness of the need for bigger ships, both in terms of capacity and size characterised our sector. Size was the word: ships as long as streets and often wider (134 metres in length and 17.3 metres in width), a growth in size which has reached today's 400,000 ton monsters, 362 metres in length, 65 metres in width and 30 metres in height, and a capacity of 18,000 TEUs.

Unfortunately, after these years of vibrant growth, the shipping sector in Genoa has effectively come to a halt. The sector was also populated by a multitude of players, with a shipowner owning a part of the ship and the rest of it owned by other, outside partners.

Today the tramp sector – ships call where there is demand rather than according to a fixed route or timetable – a sector in which our firm is most actively involved, can count on one or two Genoese shipowners.

Yet, the current economic situation and the drastic fall in ship values offers excellent opportunities for a return to the shipping industry.

This is a job we were good at. The current tax system is by no means punitive.

As regards our shipyards, admittedly they have been fighting a losing battle.

Modern post-war shipbuilding began in Japan, a country with a social system that is perhaps unique. Competitive but also innovative in the area of ship design, Japan has been undisputed leader since the 1970s.

Japanese productivity per employee rose from 50 tons in 1970 to 400 tons in 2010. An increase made possible by state-of-the-art automation that Japanese shipyards have been able to apply with increasing success over the years.

Korea entered the market as recently as the 1970s, starting from scratch on a beach with one shipyard. Its first steps were not the usual small ship, but a 250,000-ton tanker ordered by a Greek shipowner!

The Chinese, even more recent arrivals on the scene, have been able in just ten years to build a quantity of ships that has had negative effects throughout an already markedly cyclical sector.

However, so far Chinese shipyards have not generated significant increases either in innovation or productivity.

Although Chinese labour is cheap and abundant, the drive towards production increases is missing, particularly in small shipyards.

China has literally hundreds of shipyards, many situated on the country's immense rivers, some of which are owned by the State, some by Regional government, some by private investors, a situation that makes a much-needed process of rationalisation complicated.

Returning to our Company's history, when the law obliging Italian shipowners to order ships made in Italian shipyards was abrogated, we intermediated four 400,000-ton tankers for Italian shipowners for a value of around $70-80 million each. In hindsight, what was a massive stroke of luck for us was a disaster for shipowners. Support, if it were needed, for my view that success depends also on circumstances. The change in the law was certainly not thanks to us.

Other favourable circumstances included, first, post-war reconstruction and ensuing economic growth and, later, the fall of the Berlin Wall and the arrival of China as a major economic player.

The year before our Company was established, the closure of the Suez Canal was another favourable event that helped us in our initial phase. No longer being able to pass through Suez meant going round Africa, which in turn meant a sharp rise in freight rates.

The distance from Bombay (as it was then called) to London via Suez is 6,200 miles; passing the Cape of Good Hope it rises to 10,800.

At that time, 7.5% of world traffic passed through the Suez Canal and with its closure freight rates soared. Another positive circumstance for us and every business needs one or two of these at some moment in its life. In our case, the development of a world fleet and the increase in goods transported did the rest.

In 1965, there were 17,000 ships with a deadweight of over 10,000 tons for a total of 203 million tons; by 2012, there were 58,000 ships with a total deadweight of 1.5 billion tons.

Petrol and petroleum products shipped in the world:

- 1970: 1,440 million tons;
- 2011: 2,750 million tons.

Bulk traffic:
- 1970: 440 million tons;
- 2011: 2,330 million tons.

Other dry cargo:
- 1970: 670 million tons;
- 2011: 3.3 billion tons.

Today's world has changed. In the past, there was basically only traffic between Europe, America and Japan with some sugar from Cuba and American grain headed to Russia.

English brokers were the undisputed masters.

In today's highly competitive world, companies must be equipped also with a global structure in order to make their mark.