

Adriatic Tour Report / Austria, Slovenia, Italy / June 2020

	<i>Austria</i>	<i>Slovenia</i>	<i>Italy</i>
Worldbank 2019			
Population (mio)	8.9	2.1	60.3
GDP (billion USD)	446.3	54.8	2001.2
GDP Growth 2019	1.60%	2.40%	0.30%
GNI/Capita PPP (USD)	51300	26480	44580
WTO / Trade in Goods			
Rank in world trade (import/Export)	27 / 29	58 / 55	11 / 9
2018 Imports (billion USD)	193.3	42.23	500.8
Top Commodities	Motor cars for transport of persons, automotive parts, Hormones, petroleum, Medicaments.	Petroleum oils, motor cars transport and persons, medicaments, automotive parts.	Petroleum, motor cars, petroleum gases, medicaments, petroleum.
Top Countries	EU (70.4%), China (5.7%), Switzerland (5.4%), USA (3.9%), Japan (1.4%)	EU (69%), China (6.2%), Switzerland (3.1%), USA (2.9%), Turkey (2.3%)	EU (59%), China (7.3%), USA (3.8%), Russia (3.3%), Switzerland (2.6%).
2018 Exports (billion USD)	184.7	44.21	546.6
Top Commodities	Motor cars, medicaments, automotive parts, blood, engines.	Motor cars & transport of persons, medicaments, petroleum oils, automotive parts, Electrical lighting equipment.	Medicaments, Motor Cars, Petroleum, automotive parts, Suit Cases, Wine, Cheese, Pasta, Bread Pastry, Chocolate.
Top Countries	EU (68.2%), USA (6.6%), Switzerland (5.2%), China (2.5%), Russia (1.5%)	EU (77%), Serbia (3.3%), Russia (2.6%), Bosnia (2.5%), Switzerland (2.4%)	EU (56%), USA (9.2%), Switzerland (4.9%), China (2.9%), Turkey (1.9%).

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Austria

Austria managed the crisis relatively well, compared to other European countries. Swift governmental action and discipline has kept infections at bay. The economy is nevertheless feeling the pain on the side of tourism, which is roughly 15% of GDP, further the plant closures in the automotive sector had an impact while paper and timber industry saw significant reductions too.

Gartner Transport, Austria - Jochen Weber

Brief catchup with our network Ambassador Jochen Weber, updating each other on recent industry developments, European continental rail and road market situation and the southern gateways of Koper, Trieste and Piraeus.

The European intermodal sector is impacted by the reduced volumes, lower fuel prices and thus some shift back from rail to road have happened. The volume development remains different based on industry sector, with Gartner benefitting from an exposure to consumer products and furniture, where things have progressed well.

Their Alpha Intermodal solution (<http://www.alpha-intermodal.com>) to/from Greece & Turkey via Trieste with an own fleet of 45'HQ pallet wide containers continues to expand successfully.

Gateways to Central Eastern Europe & the Balkans

While the final figures for Q2 from both ports are only expected to be published over the coming weeks, early indications are that Trieste was able to maintain roughly in line with last year, while the port of Koper has continued to see a slight decline.

Port of Trieste (2019 Container volumes: 688.647 TEU)

Trieste is receiving investment from the European Union, the Italian government and two local family businesses, among them the Francesco Parisi group, to establish a new 140 million EUR multipurpose terminal that is able to handle Ro-Ro and container vessels with a draft up to 15 meters and which will be operational by end of 2020. The terminal is located directly beside the existing general cargo terminal and has been created by claiming land from the sea. It further builds the basis for the establishment of an even larger, deepsea container terminal in front of it, in the years to come.

DFDS and EKOL, for the main Turkey lane, have come to an arrangement where DFDS focuses on operating the vessels and EKOL on forwarding and door services in the role of a customer. This has been beneficial for both, but also created a bit a monopoly on the gateway by DFDS, which resulted in rising rates.

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Volumes for trailers are still down, also because low fuel prices and reduced volumes have been an incentive for some companies to switch back to road transportation temporarily.

Since MSC invested in Trieste Marine Terminal (TMT) in 2015 it has become one of their key ports in the MED and they operate own gateway trains into Munich and other destinations from there, which aided the ports growth.

Grimaldi Lines has almost left Trieste, following their investment in Venice and sadly Evergreen, who after the Lloyd Triestino acquisition was the local hero of Trieste seems to have somehow lost track as it did not clearly invest or commit to any specific Adriatic port.

Port of Koper (2019 Container volumes: 959.354 TEU)

Operated by Luka Koper, the beautiful port of Koper is run by a government entity and despite lacking a landlord model and internal competition of operators that normally helps development, the port has done very well in growth, becoming one of the fastest growing ports in Europe, establishing itself as a key gateway. However in recent years, the port has lost market share to Trieste and others.

The Piraeus Factor (2019 Container volumes: 5.650.000 TEU)

With Cosco's acquisition in Piraeus, their aggressive development and pricing of Inland connections to central eastern Europe and the Balkans from there, they have been able to put pressure on the Adriatic ports. Whilst most of the train connections still seem to be heavily subsidised by Cosco and still only yielding limited success, the fact that Balkan destinations can be reached at almost same cost as Piraeus itself, has been attractive to some customers, especially larger multinational producers, that Cosco approached directly. It will remain to be seen, whether the strategy works out long term. For the case of Hungary, they are certainly not doing too bad so far.

Slovenia

Slovenia managed the crisis quite well so far, despite being a major gateway to the more impacted Balkan countries and in proximity to the Italian hotspot. Thus things have returned to a relatively normally environment, while fears of an escalation at their southern, balkan neighbours are raising second wave fears.

Smart Cargo, Ljubljana - Igor Jakomin / <https://smart-cargo.org>

Our friend Igor, formerly with CargoX, is meanwhile running Smart Cargo, a roadside focused TMS solution that is approaching a 10 million EUR valuation and is currently rolling out with various anchor customers. An Ocean solution is in the pipeline. Certainly an exciting startup to keep on the watchlist.

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Comark d.o.o., Ljubljana - Branko Butala / <http://www.comark.si/>

The leading project cargo firm in the balkans, with own cargo packaging production between Slovenia and Croatia, that provides them a differentiating edge. Started some general cargo forwarding recently and is a member of CLC and Cross Ocean Network.

==> We will meet again in Bremen for Breakbulk fair, where they will attend our member dinner as a guest.

Boxline UCL, Sezana - Borut Mahnic / <https://www.boxlineucl.com>

Always a pleasure catching up with the dynamic Boxline team in Slovenia, that has grown to the market leader in neutral consolidation for the gateway. Not unlike other HUB concepts, e.g. Hongkong and South China or North America, the efficiency and frequency of inland connections to/from the gateway is essential for a competitive product, which only then provides effective economies of scale. This combination today differentiates the Boxline product in the area, complemented by its market organisations in Poland, Czech, Hungary, Austria and Serbia, being hard to match for anyone, especially in an LCL field where margins continue to be under pressure. Despite the COVID stricken market environment and Koper's FCL market decline, the team has been able to achieve 5% growth in the first half of the year and sees potential to further expand in the second half of the year, so they will well exceed the 120,000 CBM of 2019. Rail services, LCL and FCL from Asia have been a success story for Boxline, a field they have entered early, where they could build strong partnerships and benefit now as demand is further rising.

TPG Logistics, Koper - Tilen Pahor / <http://tpg.si>

The trip also provided an opportunity to catch up with our newest member TPG and visit their Koper office. Being a leader on the export business through Koper gateway in the wood, timber and paper segments, but also on the cool chain side, with 12% of the port's volumes coming from TPG, we are pleased to welcome them onboard. With offices in Austria, Croatia, Montenegro and Serbia, they have a strong footprint in the area and a lot of potential to grow on the import side of the business.

A detail presentation of TPG is available [here](#).

Francesco Parisi, Trieste - Francesco Parisi / <https://www.francescoparisi.com>

Great opportunity to catch up with our friends at Francesco Parisi, the 213 year old shipping and logistics conglomerate running in its 8th generation. I maintain an admiration for firms with a history of reinventing themselves, thus especially in our current time of living through a crisis, a truly inspirational meeting.

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Times change, but guiding values certainly remain essential and two of Parisi's that came up during the discussions, embrace competition as something positive and be open to cooperation and partnerships with anyone, are certainly as adequate today, as before. The worst month for the group was April, with a drop of 38% business and things are improving since.

Much of our discussions were around Asia, Hongkong and China, where Parisi is active with own offices since 2003 and where the current rhetoric on international diplomacy and the situation in Hongkong have become a concern for an open and global business.

The Parisi Group is reentering the terminal business in Trieste, through PLT, a private public partnership, that has already acquired the existing General Cargo Terminal in the port of Trieste and is finalising the establishment of a new Ro-Ro/Container terminal right behind that that on large property that has been reclaimed from the sea. The new terminal will also be the basis for a further port expansion and potential development of a pier VIII in Trieste, which could boost capacity of the port significantly.

Eurolanes, Ossio Sotto - Marco Saponaro / <https://www.eurolanes.com>

With Bergamo having been one of the hotspots of the pandemic in Italy, the regulations in place are still a lot stricter than in other parts of the country, with mask obligation everywhere still in place, strict limitations on visits, temperature measurements in offices and most public places. However also here a spirit of restarting is visible, people have been through tough times and embrace the rebirth. Being able to sit outside again, meet each other and talk is a true pleasure and the old beauty of Bella Italia with great food and people is becoming alive again. The business impact remains depending on industry sectors and trade lanes, with Eurolanes strong focus on South America of course impacted by the situation there now, while on the other hand, some of the groups companies, benefitted during the crisis with other customers booming. Further, there is also opportunity in the current situation and Eurolanes has just started operations in France, which have been going well in recent months with a lot of potential for further growth.

NLINE Shipping, Milano - Christian Natale / <https://nlineshipping.com>

Our Swiss NVO member NLINE has opened in Italy in September last year and used the opportunity for a first visit to the new office and the team in Milano. Milano is already more open again and apart from the lack of tourists and visitors, things seem closer back to normal than Bergamo. Despite getting hit by the pandemic in the early stages of the new firm, they remain well on track having established services on all key trade lanes and the digital first approach with which they have entered the market was a great help under the work from home directives over recent months.

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Thus an interesting proof that there is rarely a wrong time to start, if the concept and the team is right. The approach of NLINE seems to be stirring up the market a bit and it is interesting to see new ideas to approach the industry. With its platform in Milano the intention is also to push more of their Swiss business via the Southern gateway and promotions for this have started.

CSA, Milano - Pierluigi Amighetti / <http://www.csaspa.com>

Nice to catch up with our friends at Central Shipping. One of the few asset based players in the Italian overseas forwarding market, operating since 1993. The company came relatively well through the crisis, however as everywhere sales remains limit, as especially large customers are still not accepting visitors. The group has an interesting concept on „second wave logistics“ where they provide storage for buffer protection and disinfection equipment, that are being held by many customers in anticipation of a second infection wave for the country.

Similar as in many other regions in Europe, the crisis has increased storage demand by customers, also in Italy, thus warehouse space becomes a competitive advantage again.

We had an interesting discussion on Corona's impact in terms of M&A, where valuing and selling/buying companies, especially those with an asset-light model in the logistics industry will become very hard, with companies in turn rather aiming for acquiring talent with customer relations. An interesting observation in particular for the Italian market, with many older company owners, that have no succession planning.