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Grimaldi eyes Finnlines' turnaround

Italian owner has introduced sweeping management and fleet changes in bid to restore profitability of ailing ro-ro operator

AFTER what he termed "a dramatic year" characterised by fierce pressure on earnings, a sharp plunge in revenues and wholesale restructuring, Grimaldi Naples managing director Emanuele Grimaldi said he firmly expected Finnlines to turn a profit in 2010.

Mr Grimaldi, who took personal charge of his newly acquired company last spring in a bid to right its creaking operating and financial performance, said reshaping the fleet was critical to the turnaround.

He said Finnlines had shed around 13 expensive and under-utilised chartered vessels since then, including five at the end of last year, and would redeliver two more in the first half of this year.

Last year also saw sweeping changes in senior management, a cost-cutting effort that included asset disposals, job losses and the centralising of procurement, and the wholesale reorganisation and expansion of its service network.

According to Mr Grimaldi, however, market conditions remain tough. "Seaborne trade with Russia dropped 50% last year and 22%-23% with Finland. Competition on those routes was stiff, which pushed down earnings," he said.

"We are seeing a slight recovery on the revenue side, but it is very slow and very shy," he added. "If anything, it is a little stronger on the passenger side, but that is partly because our performance on passengers was very weak and we have reorganised it substantially."

Mr Grimaldi declined to reveal the financial details of Finnlines' performance last year, citing stock exchange regulations, though he did say that earnings had remained fairly steady despite a sharp decline in revenues.

Finnlines barely broke even in 2008 on revenues of €735.7m ($992.5m). In the first half of last year, the company posted losses of €29m on revenues of €241.8m, a sharp deterioration on the losses of €13.5m on revenues of €384m posted in the same 2008 period, though the second-half performance was much stronger.

As for Crete-based Minoan Lines, the Naples-based shipping group's other recent capture, it too was struggling in a difficult market, but Mr Grimaldi remained defiant.

"Minoan is in a little bit of a war between operators, and it is not doing so well. But if they want a war, we are the fittest operator out there," he said.

"We have halved our debt over the last five years and we have €40m in cash in the bank after the profit we made on the sale of Hellenic Seaways. But I hope good sense prevails."

Mr Grimaldi was interviewed shortly after submitting an expression of interest in the Italian state-owned ferry company Tirrenia, which is now in the process of being privatised.

As Italy's largest shipowner, and a major international player in the ro-ro and ro-pax market, Mr Grimaldi said, Grimalidi "had to be there". But he also reasserted his long-held and deeply sceptical view of the company.

Although precise details of the government’s intentions have yet to emerge, it hopes to sell Tirrenia en bloc. Mr Grimaldi expressed grave doubts about such an outcome. “Many times, organisations start out selling one thing and end up selling another,” he said.

“This is a company that has survived only because of €250m a year in government subsidies. That is far too much. It would cost a fraction of that to liquidate it, which is what they should do.

“It would cost €30m to pay off the workers and €50m to make the private shipowners happy” with subsidies for public-service routes. “That is more than enough. Look at how little it costs the Greeks do it and they have thousands of islands.”

Mr Grimaldi added: “They could also sell the few assets that are worth something. The debt is more than the value of the assets, but (such sales) would offset at least part of that, and the rest is a one-off payment.”

He also echoed the fears of Euan Lonman, managing director of Corsica Sardinia Ferries in Italy, as to the damage Tirrenia’s sale could be to the integrity of the wider market if mishandled.

“The worst thing that could happen is distortion of competition,” he said, alluding to the prospect of a new owner using Tirrenia’s subsidies to compete with unsubsidised private rivals.

It appears that a number of operators have joined the list for the Tirrenia sale precisely to forestall such a possibility.