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Grimaldi recipe may not be to the taste of Greek rivals

Emanuele Grimaldi sets out his proposal for staunching the losses of the leading Italy-Greece ferry operators. Is it an offer too good to refuse?

FERRY trades between Italy and Greece have been dominated in recent decades by the major Greek lines, but Italian shipowner Emanuele Grimaldi has become a major player through his control of Minoan Lines , as well as Grimaldi Lines ' own Adriatic presence.

However, the market has had to withstand the implosion of Greece's economy in addition to the more general challenges facing the European ro-pax industry, such as the overall European downturn, soaring fuel bills and increased competition with budget airlines.

Cross-Adriatic freight and motorist traffic peaked in 2004 and have been broadly in decline since then, while passenger traffic stagnated after 2006.

Port data suggests last year was the worst in memory, with aggregate traffic on all routes dropping by 10% for passengers, 9% for freight units and by 7% for private vehicles. The number of departures fell by 19% as lines battled to streamline services and reduce capacity.

However, the numbers so far this year indicate the market has collapsed even further.

Mr Grimaldi — who is also having a sometimes acrimonious ride in the Greek domestic ferry market, through Minoan's home Crete route and its one-third stake in Hellenic Seaways — is as eager as anyone to halt the free fall.

"This is a sinking market," he says in an exclusive interview with Lloyd's List. "We were planning to add tonnage before the crisis. We thought that the market was growing."

But now he says: "Overtonnaging is by far the most important factor."

While it is generally thought that there are few easy ways out of the current crisis for operators, Mr Grimaldi is adamant there is a straightforward solution which could work for all the main players and staunch most of the bleeding.

"The only way is to have reasonable competition between ports as well as operators and to have first-class service everywhere. Consolidation and scrapping is the name of the game everywhere," he says.

At present, he feels that services between Patras and southern Italy, with Grimaldi dominating Brindisi and Attica in Bari , are sustainable. In the Italian owner's view, the problems reside in the northern Italian ports.

In Venice, Anek Lines dominates after the pull-out of Minoan earlier this year, and in Ancona, Minoan is pitting the biggest ferries in the eastern Mediterranean against a joint service operated by Attica's Superfast Ferries and Anek.

On the Greece-Ancona route, the two camps are cutting each other's throats with no one operating profitably, he says. Meanwhile, Anek's service to Venice relies on the 33-year-old pair Kriti I and Kriti II .

Mr Grimaldi argues that the two ageing Anek vessels should be scrapped in order to improve the mean standard of the ferry transportation alternative against the threat of growing point-to-point air connections for tourists.

Most importantly, though, in his recipe, this would clear the market for his competitors' joint service to switch from Ancona to Venice. He estimates that this single move could wipe as much €60m ($77.8m) off the main operators' combined losses.

"It would contribute dramatically to the health of the sector and really it should have been done a long time ago. Everyone would benefit more or less equally, to the tune of €15m to €25m annually per company," he says.

There are a number of reasons why the Grimaldi plan may not immediately kindle enthusiasm in the boardrooms of his main rivals, Attica and Anek.
One is that the Italian and Greek owners are barely on speaking terms with one another, personal relations between Mr Grimaldi and Yannis Vardinoyannis at Anek being particularly frosty.
Another is that in any talk of overtonnaging, the Grimaldi-Minoan behemoths Cruise Europa and Cruise Olympia , which were introduced only in 2009 and 2010, have to be considered the prime culprits.
At first glance, and for all the talk of everyone winning, it also looks like Minoan would be the most obvious beneficiary if the competition moved out of Ancona .
Traffic plunged by an alarming margin of about one-third in the first nine months of this year but Ancona's throughput of about 575,000 passengers still dwarfed Venice 's tally of about 120,000. In freight units, too, Ancona is outscoring Venice by about 3:1 this year.
Allowance should be made for the fact that Ancona traffic is split between the two competing camps.
Moreover, there is a case for believing Venice may be enduring a particularly unrepresentative year. In the first nine months, passenger numbers were halved and freight traffic slumped by 20%.
This can be blamed on the convenience of Venice as a gateway for the German and German-speaking market, which was especially hit by sparks caused by Chancellor Merkel's austere demands on Greece as the price of allowing the country's bailout cash to continue flowing.
The collapse of German custom, overlaid with the uncertainty of travellers contemplating trips to Greece earlier this year, has been given by Minoan as the reason for suspending its own Venice service.
More indicative of the route's potential might be the 270,000 passengers, 52,000 trucks and 80,000 cars transported on the Venice-Greece route last year.
But — even assuming the traffic can be rebuilt and a move from Ancona to Venice were to be traffic-neutral, which is by no means clear — it would be understandable if Attica and Anek fail to be seduced by the idea of strengthening their chief competitor.
Even Mr Grimaldi acknowledges that managements at the rival lines are unlikely to be impressed with his suggestion: "I do not expect them to do it. They never do what is reasonable," he complains.
On the contrary, his message appears aimed more at the banks which in effect control the destiny of the main Greek operators.
However, he is surely right that rationalisation of capacity is the answer to the diminished market in the northern Adriatic. In the absence of a market recovery any time soon, this may eventually happen anyway through attrition rather than strategic design.
Mr Grimaldi says his group and its Minoan subsidiary will last the course, not least because the Grimaldi Group continues regularly to churn out quarterly profits, with Minoan the sole red spot on its consolidated balance sheet.
The Greece-linked ferry operation represents just 5% of group business overall, he says.
"I hate losing money. The company runs with our family money," he says, contrasting this with rivals who "are really playing with the money belonging to their banks and their shareholders".
He adds: "They think we will capitulate, but they are completely wrong."