INVITALIA

Agenzia nazionale per l'attrazione
degli investimenti e lo sviluppo d'impresa SpA

Investment Opportunities

Logistics

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Invitalia is the Italian national agency for inward investments and economic development. Its mission is to promote the country competitiveness – in particular in the Southern Regions – and support growth in strategic sectors.

Its main objectives are:

- *Supporting inward investments*
- *Boosting innovation and growth*
- *Improving the economic opportunities in the country.*

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Contents

Presentation

In the last 20 years,the opening of new markets, TLC technologies and transport development have significantly reduced geographical distances and increased trade exchanges.

In addition, because of the localization of new worldwide production centres in the emerging countries, supply chains are always more complex.

Consequently, logistics has evolved from a mere activity of goods handling management to a strategic operation on which companies can leverage to be competitive.

1. An optimal geographical position

Italy has a favourable geographical position in the centre of the Mediterranean Sea, a strategic location for investments in logistics sector. In fact, it is able to intercept trade flows from/to Asia, Balkans area and countries of the Mediterranean coast. This geographical position has a growing importance in view of the new 27 European Union and in view of the creation of an Euro Mediterranean free trade zone that will lead to the birth of the world's largest transhipment area.

2. An excellent infrastructural equipment

National logistics equipment is based on a set of infrastructures and logistics hubs that, since the second part of the last century, have allowed Italy to develop constantly its socio-economic framework: 6.487 km of highways, 835.029 km of local roads, 23.835 km of rail network (1.250 km of High Speed, 800 km already working and 450 km in completion), 3 HUB ports and 22 first level commercial ports, 2 intercontinental HUB airports and 24 freight villages.

3. An attractive market

Logistics is one of the most profitable Italian business and it has very high prospects of growth. In 2006 its turnover was of 216 billion €, over 14% of the Gross Domestic Product (*Source:* La Fattura Italia, CONFETRA-Italian General Confederation of Transports and Logistics, Quaderno n. 2, April 2008), with a balanced presence of services throughout the peninsula and best practices in the North of the country. Logistics without transport accounts for 48% of the total value (*Source*: Real Estate Scenarios, "Logistics Real Estate Market Report 2009").

Logistics closed 2008 with a turnover of 4,2 billion € (+ 5% compared to 2007). The overall stock of logistics buildings has reached 46,6 million square metres, characterized by very high quality standards.

Market attractiveness is confirmed by the presence of many multinational and/or big companies in Italy; these include DHL Group (Deutsche Post), TNT Group (TNT Post NV), Kuehne + Nagel, Schenker, UPS, Geodis, Fiege Group, Eurokai, Cosco, Evergreen e PSA (Port of Singapore Authority).

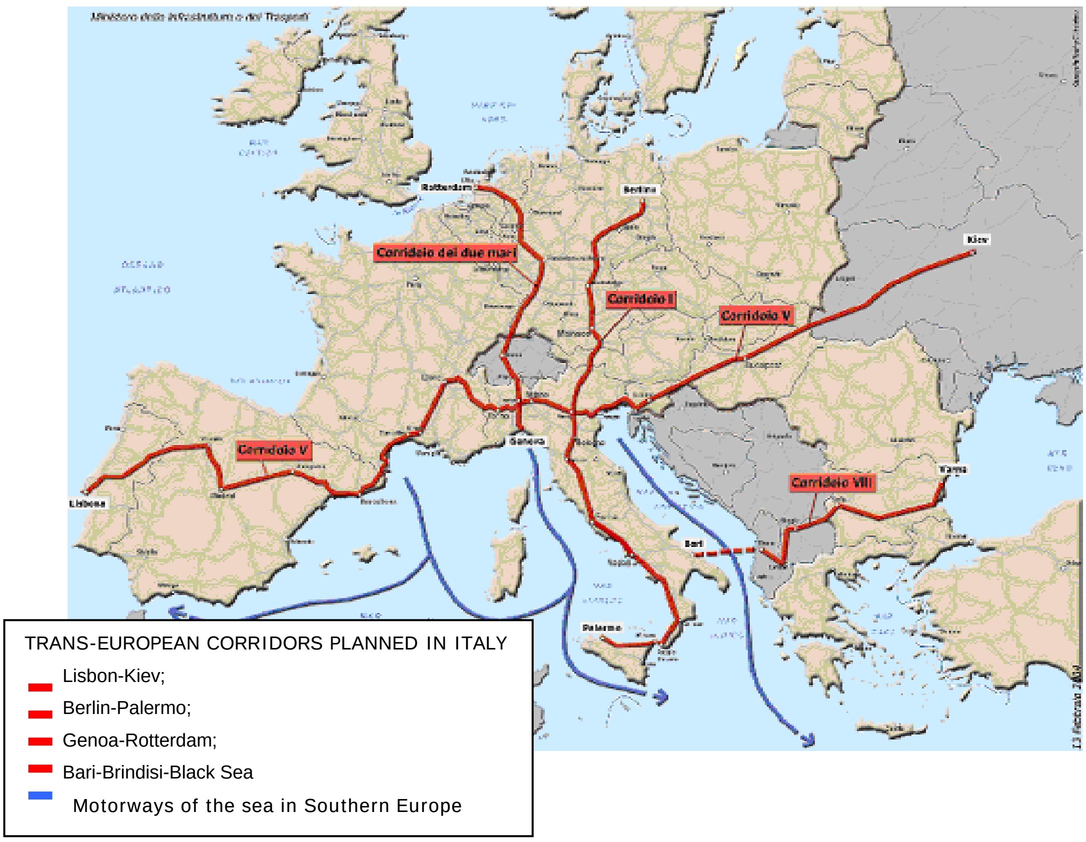
Assets

1. The TEN-T corridors and the motorways of the sea

Italy is perfectly connected to TEN-T (Trans-European Network for Transport). In fact 6 of the 30 prior traffic axes involve our country directly:

- the corridor Lisbon-Kiev
- the corridor Berlin-Palermo
- the Two seas corridor Genoa-Rotterdam
- the corridor Bari-Brindisi-Black Sea
- the motorway of the sea of the western Mediterranean system
- the motorway of the sea of the eastern Mediterranean system.

<u>The Trans-European Corridors</u>



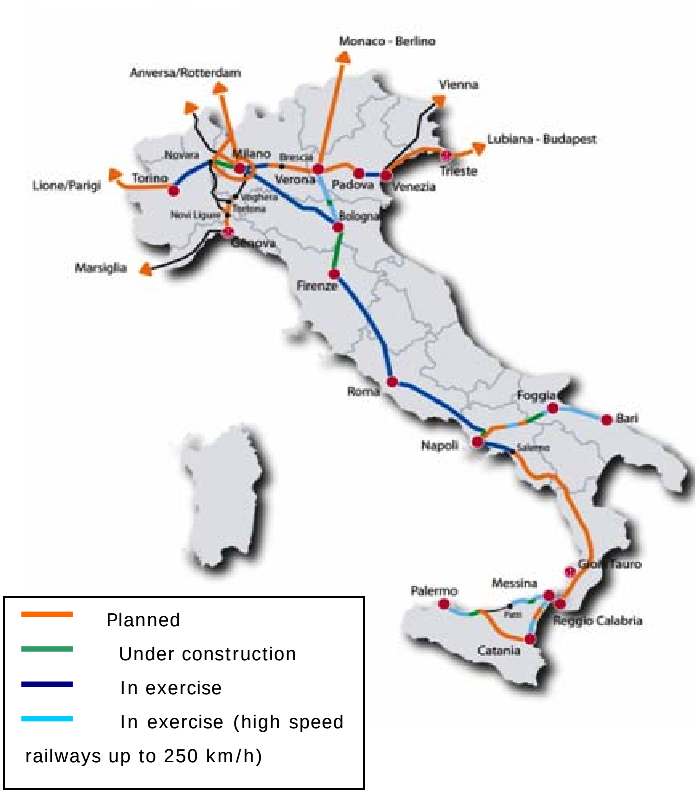
2. The infrastructural networks

The Italian road network, other than municipal, is made of more than 175.442 km, 6.487 km of highways, 21.524 km of national roads and 147.364 km of regional and provincial roads (*Source*: National Count of Infrastructures and Transports, 2006).

The Italian rail network is capillary developed throughout the country and it represents a dense system of links between small and big centres. Working railway lines amount to 16.529 km and the total length of tracks is 23.835 km (*Source*: RFI – Italian Rail Network).

The High Speedy rail network represents the strength of the Italian infrastructural offer with about 800 km of working lines and 450 km in completion (total network of 1.250 km) (*Source*: RFI – Italian Rail Network).

<u>The High Speed rail network</u>



3. Terminal container

In the last few years the function of Italian ports has changed: they have been connected in transhipment network and have become nodes of distribution for transoceanic traffic that increasingly reaches Europe through the Mediterranean Sea.

As a consequence of the growing role of the Mediterranean Sea in trade exchanges, Italian ports have become crossroads of global flows: in 2008 about 11 million of TEU passed in Italian ports (*Source*: Assoporti).

The Italian port system includes:

- 3 hub ports, Gioia Tauro, Taranto and Cagliari, which attract the most important shipping companies of the world; they offer services from/to Far East, USA, Persian Gulf and North, Central and South America
- 21 trade ports with International line services, motorways of the sea and infra-Mediterranean short sea shipping.

The Italian port system

4. A complete intermodal network

The Italian intermodal network is one of the most important in Europe for the quality and quantity of its facilities with 24 freight villages strategically located along the main goods traffic lines that cross Italy with branches to all Europe and other Mediterranean countries.

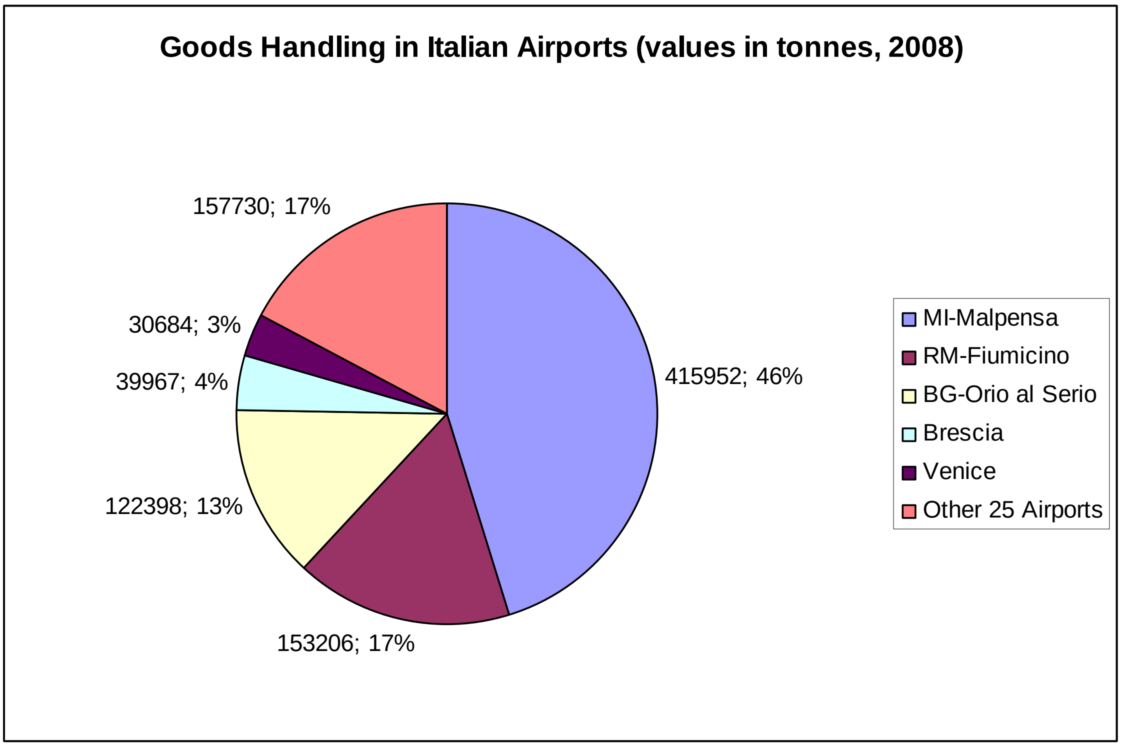
Italy has been one of the first European countries that built an intermodal logistics system with investments of more than 533 million € in the period 1990-2006 funded by the central Government, local Administrations and private operators. On the whole, they move 66 million tonnes of goods, 25% of goods transported by rail. In the freight villages infrastructures 1.021 transport and logistics companies are located with a total of 18.000 employees, which correspond to over 20.600 work units (*Source*: CENSIS – UIR, "The Italian Freight Villages Framework", February 2008).

Thanks to the services they offer, freight villages are real territorial development poles. As logistics interchange centres and value added services suppliers, they play the role of hub for complex transport cycles in transport networks always more complex and articulated. Moreover, multimodal combined transport is the most efficient and effective instrument to reduce the increasing transport demand impacts and to rebalance transport modes for the benefit of those less intrusive such as "all-road" transport.

Italian Freight Villages

5. The main airports

Italian airport system includes 41 main airports with the qualification of community international airports enabled to the traffic with the other countries. In the Italian market there are a lot of regional airports, especially due to the high expansion of low-cost airlines that use them as HUB and where they channel large volumes of traffic. With regard to cargo sector, the most relevant airports are 5: Milan Malpensa, and Rome Fiumicino (with cargo city for goods handling and management), Bergamo Orio al Serio, Brescia and Venice.



Source: Assaeroporti

6. Logistics real estate offer

In the last few years Italian logistics real estate market has registered a high growth in its turnover (+24% between 2003 and 2008), thanks to some specific factors:

- high quality facilities recently built
- low construction costs

- attractive “*cap rate*”, that is competitive expected rates of return for logistics real estate investments (about 8% with peaks of excellence, in Milan area in Lombardy)
- availability of interesting areas, at the intersection of the main European traffic directions
- short times to build facilities
- favourable lease contract with contracts 6 years + 6 years and in some cases even 9 years + 6 years if requested.

Logistics real estate market has excellent returns. For this reason it attracts the interest of real estate funds which, in recent years, have invested in Italy more than 300 million € in a logistics space of around 350.000 square metres (*Source*: Real Estate Scenarios, “Logistics Real Estate Market Report 2009”).

7. Government policies

Logistics is the sector that most attracted the interest of Italian national and local government in the last years.

The most important government policies for logistics development are:

- acceleration of network infrastructures and logistics hub realization, obtained by simplifying the procedures (Objective Law 443/2001)
- deregulation policies, starting with road transport sector, to strengthen and to reorganize the whole compartment, obtained by activating funds to stimulate intermodal transport in order to develop alternatives to road transport (Logistics Pact 2003)
- Logistics Plan (2006), which defines a national logistics system made by 7 logistics platforms featuring services and specific vocations. There are 7 logistics macro-areas (North-West, North-East, North Tirrenic-Adriatic, Central Tirrenic-Adriatic, South Tirrenic, South Adriatic and South Mediterranean), identified by the Italian Council of Ministers in the infrastructures attachment (which transposes the Objective Law 443/2001) to the economic and financial planning document for the period 2006-2009. The strategic goal is to create a national logistics system able to rationalize trade flows
- 115,6 billion of interventions decided by CIPE (Inter-Ministerial Committee for Economic Planning) and provided by Strategic Infrastructures Plan (June 2008)
- Approval of the Infrastructures Fund (March 2009) that provides works for 116,8 billion € to be implemented within 2013, financed for 77 million € in the two-year period 2009-2010.

  This framework opens the doors to project financing operations and cooperation between public authorities and private economic operators.

Incentives

1. European Programmes

Logistics plays an important role in the European Cohesion Policy for the period 2007-2013. The "National Strategic Framework", the document which regulates national and European resources, considers this sector a priority (Priority 6 "Networks and links for mobility", whose general goal is to accelerate the implementation of an efficient, integrated, flexible, safe and sustainable transport system, to ensure logistics and transport services functional to economic growth and development).

Italian Ministry of Infrastructures and Transport is the actuator of the National Operating Programme "Networks and Mobility", with the aim to realize a national logistics system, through the construction of an integrated, safe, interconnected and homogeneous transport and logistics terminals network. The Programme has a budget of 2,75 billion €, which will be committed to Convergence Objective Regions (Calabria, Campania, Puglia and Sicily).

The budget will be assigned to 3 Axes:

1. development of European and national transport and logistics infrastructures
2. enhancement of the connections between directions, hubs and main poles of the logistics armature in the convergence areas
3. technical assistance

The following table shows the objectives of the first 2 axes, to which 99% of the total allocation is assigned.

<table>
<tr><th>AXE</th><th>SPECIFIC OBJECTIVES</th><th colspan="2">OPERATING OBJECTIVES</th></tr>
<tr><td rowspan="4">1.</td><td rowspan="4">To contribute to the achievement of an efficient, effective and safe logistics armature of the Mediterranean Sea, giving to Convergence areas a strategic role for European and national directions development and a modal rebalancing</td><td>1.1</td><td>To promote the development of an effective and efficient logistics system with reference to the main European infrastructures (Corridors 1 and 21)</td></tr>
<tr><td>1.2</td><td>To strengthen logistics hub complementary to the main system for intermodality development</td></tr>
<tr><td>1.3</td><td>To create a technological and informative system oriented to interoperability to improve transport services quality, safety standards and management techniques</td></tr>
<tr><td>1.4</td><td>To support and stimulate the logistics private operators offer</td></tr>
<tr><td rowspan="2">2.</td><td rowspan="2">To contribute to the strengthening and safety of connections between European (Corridors 1 and 21) and national infrastructures to increase competitiveness and usability of the logistics system</td><td>2.1</td><td>To strengthen internal connections to the bearing logistics system and between this and local manufacturing areas</td></tr>
<tr><td>2.2</td><td>To improve transport services quality, safety standards and management techniques of the connective system between directions, hub and main poles of the logistics armature</td></tr>
</table>

In agreement with the new Cohesion Policy, most of the Italian regions (15 on 20) decided to destine a big part of the Operating Programme resources to the infrastructural network development and logistics support, with a total assignment of about 6 billion €[1].

Furthermore some Community Programmes, such as Marco Polo, *TEN –T* ***(Trans European Transport Network)*** and VII Framework Programme, allocate to the sector substantial resources.

Marco Polo Programme aims to reduce road congestion, to improve environmental performances of transport system and to strengthen the intermodal system between EU Countries. Marco Polo Programme budget for the period 2007-2013 amounts to 450 million €.

TEN-T is the main instrument for trans-European transport networks development, on the basis of the article 155 of the European Union Treaty. TEN-T Programmes financing for the period 2007-2013 amounts to 8,013 billion €.

The ***VII Framework Programme*** identifies transport as one of the most important research sector. The main goal is to develop a transport system which respects environment and increases European companies competitiveness. For the planning period 2007-2013 European Commission has allocated 4,6 billion € to support research in the transport sector.

2. Ecobonus

What is it

Ecobonus is a national incentive system which provides an economic reimbursement for transport operators that use combined road-sea transport instead of “all-road” transport.

This system, joined to lower costs in terms of diesel, tools and trucks maintenance, allows hauliers to save on costs.

Beneficiaries

The 31 January 2007 Transport Ministry Act has identified 28 sea routes, of which 8 international, that could enjoy Ecobonus.

Ecobonus beneficiaries are contractors trucking companies, also associated with each other or with marine operators, which work in Italy, making at least 80 annual trips along the same route.

The reimbursement can’t exceed a maximum cap of 30% of every connection fee.

In 2008 Transport Ministry has allocated a total financing of 231 million € distributed in 3 years.

[1] Invitalia’s elaboration.

To those who request it

To obtain funds, the operator has to fill a specific form available at the following address **http://ram.blutech.info/content/view/329/1** and submit it to the Ministry of Transport within January 31st of the year following the one for which he has requested Ecobonus. Company must commit itself to maintain the same number of trips (and the same quantity of goods) using combined road-sea transport for the three-year period following the year in which it has requested incentive.

3. Incentives offered by Invitalia

If particular conditions occur, every logistics project can use incentives provided by the Programme Contract and the Law 181/89.

The **Programme Contract** is an agreement between one or more companies, the Ministry of Economic Development through Invitalia, and other possible public administrations (Regions) involved with a view to implementing industrial projects, including programmes for experimental

Development. The total amount of eligible expenditures and costs for the investment project must be at least € 40 million.

Law 181/89 establishes a support mechanism for re-industrialising and revitalising industrial areas. The tool is entirely managed by Invitalia who handles all the stages of the procedure: it assesses business applications and defines project viability, manages aid disbursement and executes project monitoring.

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Testimonials

In the last 10 years 462 companies operating in logistics, subsidiaries of 280 foreign groups, have invested in Italy. Thanks to this massive business presence, Italy is able to offer a wide range of integrated logistics services, with high levels of expertise and within an international logistics network.

It is mainly in the port sector that Italy has been the subject of a real race to the investment.

Here are some examples of operations conducted by important global players:

- the German Eurogate, through the subsidiary Eurokai, has concentrated its presence in Italy and, through Contship Italy, has the control of Gioia Tauro Medcenter Container Terminal, La Spezia Container Terminal, Livorno Terminal Darsena Toscana, Ravenna Terminal Container and Salerno Terminal Container
- Evergreen (Taiwan, China) has entered Italian market in 1998 acquiring the majority shares of Lloyd Triestino, an historical Italian shipping company with which, 4 years later, has taken the control of the pier VII of Trieste Port. The Chinese company, furthermore, has cofinanced the realization of Taranto Terminal Container, inaugurated in September 2001
- in 1998 Port of Singapore Authority has taken the control of Sinport which manages Voltri Terminal Container of Genoa and Marghera Terminal Container of Venice
- Cosco, a Chinese shipping company, has come into Italy in 2002 taking the control of Naples Terminal Container. In 2008 it has chosen this port as centre of its activities in the Mediterranean Sea and towards the North Europe
- in 2008 Hutchison Port Holdings (Hong Kong, China) has acquired an important shareholding of Taranto Terminal Container
- in 2008 again, the Danish Maersk has invested 130 million € in Savona Vado logistic platform.

Opportunities

Opportunities in logistics sector refers to 4 types of investment:

- terminal container management in hub or feeder ports through port authorities grant
- creation of warehouses in freight villages and intermodal centres
- creation of European distribution centres in value added logistic areas located just behind ports
- logistic real estate.