

The Council Report to the Annual General Meeting English Version

TABLE OF CONTENTS

<i>Preface by Nicola Coccia, President of Confitarma</i>	97
1. ITALIAN MERCHANT MARINE IN 2005	98
<i>Rules and Competitiveness</i>	98
<i>Size and composition of the fleet</i>	98
<i>Competitiveness of the Italian fleet</i>	98
- <i>Ocean navigation</i>	98
- <i>Short-sea shipping</i>	99
<i>Naval investments and renewal of the fleet</i>	99
<i>Italian foreign trade by sea</i>	99
<i>Balance of trade</i>	99
<i>Role of the maritime system in the economy</i>	99
<i>Maritime network, ports and logistics</i>	100
- <i>Motorways of the Sea</i>	100
- <i>Container port traffic evolution</i>	100
- <i>Port labour</i>	100
- <i>Reform of the Law on the Port System</i>	100
- <i>Port towing</i>	100
- <i>Port piloting</i>	101
- <i>Docking</i>	101
- <i>Key role of the logistics factor in economic competitiveness</i>	101
2. INTERNATIONAL SHIPPING AND MARITIME TRAFFIC	101
<i>World Trade and Maritime Traffic</i>	101
<i>World Fleet</i>	102
<i>Worldwide Shipbuilding</i>	102
<i>Maritime markets</i>	102
- <i>Crude oil and petroleum products</i>	102
- <i>Gas and chemical products</i>	102
- <i>Dry Bulk Commodities</i>	103
- <i>Cargo in containers</i>	103
- <i>Ro-Ro</i>	103
- <i>Cruise ships</i>	103
3. EUROPEAN SHIPPING AND THE UNION MARITIME POLICY	103
<i>Short sea shipping</i>	104
<i>Proposed Directive on access to the Port Services market</i>	104
<i>Green Book on the future maritime policy of the Union for oceans and seas</i>	104
<i>Indemnification of damages in the event of marine pollution</i>	104
<i>Competition in maritime liner transport</i>	105
<i>Revision of the system of carrier liability in the maritime transport of passengers (Athens Convention 1974/2002)</i>	105
4. ON-BOARD LABOUR AND TRAINING	105
<i>Maritime Employment</i>	105
<i>On-board labour: European Union and international issues</i>	105
<i>On-board labour: national problems</i>	106
<i>Professional training</i>	107
5. ENVIRONMENTAL PROTECTION AND SHIPPING SAFETY	108
<i>Improving the quality of environmental management</i>	108
<i>Phasing out of single-hull tankers</i>	108
<i>Port State Control</i>	108
<i>Sulphur content of marine fuels</i>	109
<i>Recovery of dangerous wastes produced by ships</i>	109
<i>Security</i>	109
<i>Safety</i>	110
6. CONFITARMA ORGANISATION	110
<i>Young Shipowners</i>	110

Preface by Nicola Coccia, President of Confitarma

The growth of maritime trade continues to contribute to the growth of the world economy, making it one of the key factors of development.

It came as no surprise, therefore, that the European Commission published, on 7 June 2006, the Green Book entitled "Towards the Future Maritime Policy of the Union: oceans and seas in the vision of Europe", initiating the process for arriving at the definition of a new maritime policy able to ensure that the European maritime cluster grows and develops in a balanced way.

Europe has a clear, unmistakable perception of the strategic importance of the maritime system for the economy: this is the starting point for any serious, worthwhile project of economic policy, whether European or national.

The heightening of awareness on the Community level should lead to reflection in Italy as well, in order to assign to the maritime industry the role it has been given under globalisation, seeing its key contribution to the development of trade.

Today the Italian maritime industry finds itself at the centre of the dynamics of transformation of the international and logistics system of economics, meaning that it must be capable of meeting the demand for competitiveness and innovation that comes with a similar role. Italy, for example, is the leading European country in terms of the quantity of merchandise imported by sea from outside of the European Union (almost 210 million tons), far ahead of Spain and Great Britain, which follow it in this ranking.

As a result, Italy constitutes the natural logistics platform of the Mediterranean: the gateway to continental Europe.

The efforts made by Italian ship-owners to place the competitiveness of the fleet and the routes of maritime traffic on a renewed footing highlight the leading role of our shipping industry today.

The largest portion of the Italian maritime economy rotates around the transport by ship of cargo and passengers, meaning the merchant marine fleet: 53% of the production of the maritime industrial cluster is accounted for by maritime transport, which, in its own, constitutes approximately 1.4% of the entire Italian GDP, producing almost 15.7 billion euro a year.

Thanks to the navigation reform undertaken in 1997, which led to the introduction of the International Register and the tonnage tax, not only is the Italian shipping industry currently able to operate on equal terms with the international competition, but there has been a noteworthy revival in ship owning activity, making it possible to maintain in Italy (and, in some cases, relocate on the peninsula) decision-making and administrative centres which, otherwise, would have been moved to offshore areas.

At the end of 2005, the dimensions of the Italian fleet amounted to almost twelve million gross tons. In a number of vessel categories, and especially those presenting the highest economic value, Italy is one of the worldwide leaders, as in the case of passenger ships and ferries, where it holds third place, while it ranks fifth in terms of chemical tankers. What is more, the fleet is a young one, and technically advanced, following the massive program that resulted in the construction of approximately 500 ships, making for 7 million gross tons, over the last ten years.

Italian ship-owners have shown themselves capable of responding to the Government and Parliament with facts. The regulatory measures adopted to promote the competitiveness of the fleet have generated timely results, and today our sector enjoys a positive trend that runs counter to the results of many other industrial sectors.

Another sector in which the shipping industry can make a contribution is tourism, an industry that has registered a negative trend in recent years in Italy, suffering from stagnation and a loss of ranking compared to competing countries able to draw on fewer resources in terms of landscape, archaeology, art and culture. The lone area showing positive results is the cruise ship industry: in 2005, approximately 5 million passengers went on cruises in Italy. This demonstrates that, apart from a finely tuned commercial policy, a determining factor in the success of this sector is the business approach typical of the large cruise navigation companies, with its characteristic features of quality, efficiency and safety. It is important that we succeed in upgrading tourist products, in order to take advantage of our country's extraordinary potential. Of the challenges that have the greatest strategic weight, representing options on the future, training definitely plays a leading role: Confitarma has undertaken major initiatives in this field, starting with its important contribution to the creation of the Academy of the Sea, the first structure in Italy capable of turning out highly trained maritime professionals, and including the recent training courses for specialised on-board figures. A great deal must still be done, with an eye towards structures able to train managers for maritime-transport enterprises while providing public opinion, and especially the younger segments of the population, with the proper perception of what is represented by the professions of the sea, so as to reverse the trend of scarce interest that has arisen in recent years.

Another area of importance is the reinforcement of relations with the world of finance. Many Italian shipping enterprises are investing resources and energy in the creation of new financing strategies that depart from the traditional approach of naval credit. Confitarma can serve as the link between the financiers and the navigation companies, favouring and arriving ahead of time at innovative solutions. Professional and entrepreneurial vitality, effort, will and skill, plus a full willingness to accept changes in a global market: 2005 has once again demonstrated that we possess all the qualities necessary for success.

1. ITALIAN MERCHANT MARINE IN 2005

Rules and Competitiveness

The efforts of Confitarma and of its individual member navigation enterprises to upgrade the competitiveness of the fleet today bring to the fore the leading role of ship-owners on both the domestic and international scenes.

Italian ship-owners have shown that they are capable of responding to both the Government and Parliament with facts. The measures taken to promote the competitiveness of the fleet have led to immediate results, allowing ship-owners to enjoy a trend that runs counter to the performance of many other industrial sectors. The dialogue with institutional bodies is constantly open, in order to strengthen merchant marine activities to an ever increasing extent, with benefits that are felt by the entire Italian economy.

It was thanks to this outlook that the idea of establishing a commission to analyse domestic and international maritime legislation arose, with the commission members to be representatives of the shipping industry and the Public Administration, as well as experts in maritime law, so as to guarantee the close connection indispensable to the successful outcome of the initiative.

Completion of the reform of international navigation called for a procedure that lasted for 15 years, and today the Italian fleet is capable of facing the competition of other fleets on an equal footing.

For that matter, the competitiveness of naval operations is also a result of the legislative and regulatory system in force: the majority of the other countries have already introduced more modern rules in their maritime codes.

The new Commission, referred to, for the sake of brevity, as "Rules and Competitiveness", shall also have the task of studying individual concrete cases on the practical level and proposing adequate legislative and/or administrative initiatives to the responsible bodies of the State.

As early as 2000, in Lisbon, the European Union clearly stated that "The competitiveness and dynamism of businesses is a direct result of a regulatory context that encourages investment, innovation and an entrepreneurial approach". To this end, the European Commission has already initiated, in collaboration with the member nations, a series of pilot projects to formulate a shared methodology meant to measure and evaluate the burdens and expenses which the regulatory system places on businesses in various sectors.

And so the Confitarma initiative is squarely in line with the recommendations of the European Union, seeing that a number of the measures in our maritime code call for reformulation, on account of the fact that they are no longer adequate for the reality of maritime markets.

What is more, a project has been undertaken in our country as well, through the Department of Public Affairs of the Prime Minister's Office, for the purpose of measuring administrative burdens and expenses, in addition to which the Ministry of Economics and Finance, at the same time as our commission was being established, asked for the collaboration of Confitarma in identifying legislative measures and regulations that could place an excessive burden on companies.

The Commission shall operate on a permanent basis, analysing domestic and international maritime legislation and regulations for the purpose of simplifying them and making them more up-to-date and competitive.

Size and composition of the fleet

At the end of 2005, the Italian owned merchant fleet consisted of 1,434 ships, for a total gross tonnage of 11,848,404 gt, distributed as follows:

- ships of more than 1,000 gt: 683 vessels, making for 11,603,842 gt
- ships of from 100 to 999 gt: 751 vessels, making for 244,562 gt

Compared to 2004, there was an increase of 4% in the tonnage and 1% in the number of ships.

The units entered in the Italian International Register number 530, making for 10,424,743 gt, equal to more than 88% of the Italian - owned merchant fleet. The ships entered in the Ordinary Register number 902, making for 1,398,072 gt, while the number of Italian-owned ships temporarily flying a foreign flag (bareboat charter) has fallen to 2 units (25,590 gt).

The portion of the fleet controlled by subjects whose capital is all or predominantly private is equal to more than 94% of the total.

The Italian fleet confirms its status as a young fleet, both in absolute terms and compared to the worldwide average: approximately 60% of the vessels are less than 10 years old and 40% are less than 5 years old.

Competitiveness of the Italian fleet

Ocean navigation

With the introduction of the international register and the tonnage tax, the reform of navigation has been completed, in compliance with the European Union directives, meaning that not only is the Italian shipping industry currently able to operate on an equal footing with the international competition, but there has been a noteworthy revival of maritime activities, with the result that decision-making and administrative centres that might otherwise have been moved to offshore areas have been kept (and in some case relocated) in Italy.

During 2005 there were major new developments regarding the tonnage tax, in force since the tax period following 20 October 2004, the date on which the European Commission declared it to be compatible with the Treaties this new system of optional taxation applicable to navigation enterprises.

These included, in addition to the rulings of the Ministry of Economics and Finance and the Revenues Agency on the implementation of articles 155 and 161 of the Consolidated Income Tax Act, issued at the end of 2005, Legislative Decree no. 247 and Law no. 248, which made modifications in the fundamental rules and regulations governing the tonnage tax, calling for: the abolition of the coefficients tied to the age of the vessels; the extension of the tax to chartered ships whose tonnage is no greater than 50% of the overall tonnage utilised; application of the rules and regulations on the normal value of exchanges of goods and services between companies operating under the tonnage tax, on the one hand, and other companies, even if the exchange takes place between subjects residing in Italian territory. It was also stipulated that application of the normal value does not imply that the principles for lump-sum determination of income are no longer to be used.

Short-sea shipping

The reform of shipping also regards short-sea international connections, as well as domestic coastal shipping with Italy's larger islands (the so-called "motorways of the sea").

The problem is that ships operating domestic connections and entered in the second register cannot take advantage of the lump-sum option for determining their income (tonnage tax), lessening the competitive strength of domestic maritime transport, which, instead, should also benefit from the incentives of the European policy. Thought should be given to the creation of a single register, along the lines of the second register, with adjustment of a number of benefits in cases where the vessel is largely used for coasting vessel trading.

Naval investments and renewal of the fleet

During the period 1996-2005, delivery was made of 493 units, making for 6,7 million gross tons.

Between 2000 and 2005, orders were placed for 134 units, representing a total investment of 5 billion euro. Over the last 3 years, 78 units have been delivered (for an investment of 2,5 billion euro), while work has begun on another 52 ships.

As part of the conversion of Law- Decree no. 4 of 2006 on the Public Administration, renewed funding was provided for Law no. 88 of 2001, thanks to whose incentives many ship-owners have made investments.

In light of the evolution of maritime transport within the changed scenario of the international economy, Confitarma has decided to promote a major initiative to reduce the cost of naval investments, proposing the introduction in our legal system of the tax-lease scheme, an instrument that already exists in other European countries, such as France, Spain and the United Kingdom. For that matter, in a period when the shipyards of the countries of the Far East (and Korea in particular) would appear to be nearing saturation of their production capacity, a further extension of the demand for new ships will necessarily bring back into play the Italian and European shipbuilding industries, which, following the end of the policies of European Union support, have encountered no small amount of difficulty in facing the aggressive competition of oriental producers.

Given the major role of the shipping industry and its investments in terms of the volumes of credit handled by the Italian banking system, Confitarma's working relationship with the ABI (Italian Banking Association) continued during 2005, as well as in the early months of 2006, for the purpose of presenting to the "National Regulator" a number of interpretive considerations and doubts regarding the recently approved Basil 2 agreement during the phase immediately preceding application by the ABI of the so-called "Rules of Supervision".

Italian foreign trade by sea

The figures for Italian trade for 2005 pointed to a condition of stability in terms of use of the sea mode, whose 224,2 million tons of imports and 62,3 million tons of exports accounted for 59% of total trade, compared to the figure of 21% for roadway transport.

35% of Italian foreign trade is carried out with the countries of the European Union, for a total of more than 30 million tons. Of this amount, 17,4% travels by sea (11% of imports and 25% of exports). In contrast, 55% of trade with the EU (approximately 91,5 million tons) is carried out using roadway transport.

Balance of trade

During 2005, the marked maritime vocation of Italian foreign trade was confirmed: the overall volume of international transactions involving maritime transport of cargo and passengers is equal to 42% of the total interchange of transport services, registering a figure of 12,702 billion euro, as compared to 17,608 billion euro for all the other transport system taken together.

Role of the maritime system in the economy

According to the data of Censis, maritime activities annually produce goods and services for a value of 36,5 billion Euro (2,7% of the GDP), of which 14 billion Euro are exported (5% of national exports), spending 11,6 billion Euro on intermediate costs and fixed investments (4,4% of Italian investments) while providing Jobs for more than 165,000 workers employed directly in the sector and another 230,000 individuals who work in ancillary manufacturing and service-industry activities.

The largest portion of the seagoing economy revolves around the maritime transport of merchandise and passengers, a sector whose production level, at 15,7 billion euro, is equal to 43% of the entire maritime

system and to 53% of his industrial component. This is a sector with a high capacity for generating income: for each 100 euro that go into navigation as a result of new investments or increases in consumption or exports, the national system creates production accounting for more than 210 euro.

In terms of employment, the 26,300 worker units directly employed in maritime transport generate more than 60,000 labour units in ancillary sectors. Navigation gives work to a total of 86,300 individuals, with a high multiplier of 3,28: for each 100 additional worker units in maritime transport, a total of 328 are generated throughout the economic system.

Maritime network, ports and logistics

Motorways of the Sea

The maritime lines that meet the definition of "motorways of the sea" present, as of March 2006, an overall weekly offer of almost 400 departures, for nearly 702,000 linear metres, with respective increases of 10% and 2% compared to the same period of 2005.

The increase is due primarily to a rise in ro-ro transport services to foreign ports, seeing that the results for such services between domestic ports (Sicily and Sardinia), despite an overall weekly growth, registered a reduction on account of the elimination of a number of government owned lines.

International connections offer non-obligatory maritime traffic 54 departures and approximately 161,420 linear metres, registering an increase of 20% during the last year.

During 2005, in order to provide an incentive for the use of the Highways of the Sea, Confitarma worked especially hard in pressing the case for the establishment of the so-called eco-bonus, based on the program undertaken by the Region of Sicily. On 29 March, the cabinet of the national government, in response to a proposal of the Minister of Infrastructures and Transport, approved a set of regulations for the formulation of procedures for the distribution and supply of funding for the innovation of the roadway merchandise transport system, the development of logistics chains and the reinforcement of inter-mode transportation, with specific reference to the Highways of the Sea, as well as for the development of coastal shipping, processes of corporate restructuring, technological innovation and initiatives to improve the environment. This measure calls for the distribution among the roadway transport enterprises of eco-bonuses amounting to 250 million euro, as incentives for the development of the Highways of the Sea. The aid to roadway transport enterprises amounts to 25% of the cost of transport on the Highways of the Sea already in operation, and to 30% of the cost of transport on the new routes.

Container port traffic evolution

Between 2004 and 2005, the average movement of containers in Italian ports rose by only 2,4%, for a total of 9,6 million teu. Apart from Savona, Cagliari, Trieste and Catania, the other Italian ports registered reduced traffic, as in the case of Gioia Tauro (which fell behind Algeiras for the very first time), or a stagnation, as in Genoa.

Port labour

March marked the end of negotiations for the renewal of the national port workers contract, which resulted in an average salary increase of 10%.

In February 2006 a hearing was held to examine arguments on the appeals filed against the sentence of the Regional Administrative Court of Latium, which, in early 2004, had ruled that the national contract applied only to temporary port workers and not to workers who were salaried employees of other port enterprises or to workers of navigation companies operating on a self-production basis. The final ruling on the case must still be handed down.

Reform of the Law on the Port System

During the year 2005, Commission VIII of the Senate continued its work, examining the proposal for the reform of Law no. 84 of 1994. Despite the length of time it spent in Parliament, a period that stretched to November 2005, the consolidated text, approved by the Select Committee in November of 2004, did not manage to obtain final approval from the Commission. Still, the reform project has not been shelved, but will doubtless be addressed by upcoming legislative initiatives presented during the new legislature.

Commission IX of the Chamber of Deputies continued holding hearings to research the current structure of the port sector, drawing up a concluding document that was approved on the date of 20 December 2005.

Port towing

The background work on the formulation of fee schedules for towing services, performed on the basis of the new criteria and fee mechanisms governed by the ministerial memorandum of June 2003, was practically completed in 2005. In fact, the last findings for this first cycle will be completed in the early months of 2006.

At the end of the first cycle, all the Associations representing users and suppliers of the service, together with the Ministry, agree on the wisdom of proceeding with an initial evaluation of the fee formula, which was concluded with the drafting of a number of proposals for modifications. What is more, in light of the specific problems that arose following application of the memorandum in ports where the use of towing services is limited, the Ministry issued special instructions in October, in order to allow the maritime authorities to identify suitable organisational solutions capable of reconciling the demands of security with those of economic and operating efficiency.

Port piloting

In the month of November 2005, in line with what was stipulated in the agreement memorandum signed at the Ministry in February of 2004, following lengthy negotiations with the Fedepiloti pilots' federation, an inter-association agreement was reached (the so-called Pilotage Act), with an eye towards rendering the service more economically efficient through a series of measures, among which the restructuring of the system under which the shares of retired pilots are distributed deserves particular note. In practical terms, this restructuring was accomplished through a series of proposals for the modification of provisions of the code of Navigation and the related regulations of implementation, designed to a gradual limitation of the incidence of the cost of retired pilots on the fees for piloting services. The Agreement has been submitted for examination by the Ministry of Infrastructures and Transport, which shall work on the institutional level to implement the legislative modifications necessary for its implementation in a relatively short period of time.

The associations that signed the agreement have also undertaken to continue talks on the other points included in the 2004 protocol, with a particular focus on the establishment of beneficial fees for maritime traffic falling under the Highways of the Sea project, together with a program for the further extension of the VHF piloting service in domestic ports.

Docking

The work of the ministerial roundtable assigned to evaluate a number of the parameters of the fee formula, for the purpose of establishing a heightened incentive for the actual performance of working activities, as opposed to mere availability, continued in 2005. The technical-fee approach identified shall be applied on the occasion of the next fee adjustment.

Key role of the logistics factor in economic competitiveness

For some time now, logistics has played a crucial role in the competitive strength of any economic system, but today, with the reduction of stocks resulting from the "just in time" supply approach, as well as the integration of markets caused by globalisation and the spread of electronic commerce, the importance of logistics is even more accentuated.

It is also no secret that the congestion of Italy's roadway and railway networks, together with the difficulty involved in reinforcing them, on account of both the cost and the slow pace of the work, create a situation in which Italy's land-based infrastructures prove increasingly inadequate, despite government efforts.

Italy is a country that imports and transforms raw materials, with an industrial vocation for exporting quality goods and products featuring advanced technology.

Our country's natural conformation, its geographic location and its elevated industrial capacity make possible an ongoing "dialogue" with both developing and industrialised nations, in addition to which it is possible to intercept inter-oceanic pendulum traffic headed for the areas of industrial and consumer transformation in the heart of Europe.

It is worth stressing that the "Italian system" should become the logistics platform between Europe and the Mediterranean, a basin which is already playing an increasingly important role in the reorganisation of world trade flows, a development sure to have an effect on the economic growth of Southern Italy as well. The implementation of a more advanced logistics system is, therefore, indispensable if our country's potential is to be exploited as it should.

With this in mind, Confitarma played an active role in the proceedings on the General Advisory Board on Motor Vehicle Transport, in particular as regarded the activities of the team of experts assigned, in the wake of the Logistics Pact signed in July at the Prime Minister's Office, to draw up a new planning document for the entire national logistics sector. This document, entitled the Logistics Plan, was published in May of 2005. Finally, the Italian National Institute of Foreign Trade requested in the course of 2005 that Confitarma contribute to the activities of its logistics unit. Working through Consar, the Shipowners' Research Consortium, Confitarma won the contract tender held by the Institute for a feasibility study on direct inter-modal connections between Italy and the Russian Federation. The study was presented in April of 2006 to representatives of government institutions and operators in the maritime, manufacturing and transport industries.

2. INTERNATIONAL SHIPPING AND MARITIME TRAFFIC

World Trade and Maritime Traffic

The growth of the world economy continued in 2005, registering an increase of 5%, just slightly lower than the levels of 2004.

The United States and China were the driving forces behind the development.

Thanks to favourable financial conditions, rising energy prices had only a slight effect on world economic activity, as even inflation rates remained fairly low throughout the globe.

Particularly worthy of note was the pace of development recorded in emerging countries, equal to approximately 7%, and fuelled primarily by the exceptional growth rates in the Asian area and in the improvement in the terms of trade of the countries that produce raw materials. Growth in China was especially impressive, at almost 10%.

After a stellar 2004, worldwide economic activity for 2005, though it remained positive, slowed slightly, with growth of 3,3% of GDP.

World trade registered an increase of 6%, compared to the figure of 9,5% for 2004, while forecasts for 2006 point to the continuation of a moderate growth trend that should lead to a renewed acceleration in the volume of trade, predicted to rise to 8,1%. Emerging economies, and especially those in the Asian area, show the most favourable performance levels.

World maritime trade, with a volume of 6,784 billion tons transported, also tallied an increase of 4% over the previous year. The demand for maritime transport services, expressed in terms of both quantity and distance, was equal to 28,868 trillion ton-miles, making for an increase of 5%, compared to growth of 7% in 2004.

World Fleet

Together with the increase in the demand for seaborne transport, there has been a further increase of 6,6% in the cargo capacity offered by the world fleet. In terms of Teu, the increased capacity amounts to 10%. According to the statistics of the Lloyd's Register, as of 31 December 2005, the dimensions of the world fleet were 675,116 billion gross tons and a carrying capacity of 950,531 billion deadweight tons. Italy keeps 14th place in the ranking of the world's leading fleets based on ship-owner control, while, in terms of the ranking of the main national ship registers, Italy shows further improvement, going from 14th to 13th place.

Worldwide Shipbuilding

As of 31 December 2005, the world order portfolio for newly constructed ships was 5,522 vessels, making for 164 million gt, of which 32% shall be completed by the end of 2006.

In 2005, the leading countries in terms of naval construction were once again South Korea and Japan, whose combined shipyards account for 68% of the orders. Next comes China, with 12% of the orders. South Korea ranks first in terms of the construction of oil tankers (140 units for crude oil and 81 for petroleum products, making for more than 29 million dwt), container ships (419 units, for 27 million dwt), chemical tankers (250 units, for 8 million wt) and gas tankers (164 units, for 10 million dwt). Japan is the leading builder of bulk carriers (465 units, for 41 million dwt) and ro-ro cargo ferries (96, for 5 million gt). Italy holds seventh place worldwide in terms of naval construction and third place among the countries of the European Union, coming after Germany and Poland. It is the leader in the construction of cruise ships, with orders for 14 units (1,4 million gt) and in the construction of mixed passenger/ro-ro cargo ferries, with orders for 21 units (625 thousand gt).

Maritime markets

In general, the majority of the world's maritime markets turned in a good performance, albeit at levels lower than those of 2004. The bulk of the traffic was influenced by the growth that occurred in China, especially in the markets of bulk carriers and container ships. China accounts for 42% of maritime trade in iron minerals, but less than 8% of the worldwide demand for oil, a category where the United States, with its 25%, continues to be the main importing country.

Crude oil and petroleum products

In 2005, evolving climatic conditions in Europe and the United States, together with extraordinary conditions in a number of the producing countries, influenced the oil market, which showed noteworthy price increases. The average price of a barrel of crude oil rose from 39 dollars in December of 2004 to more than 56 dollars a barrel at the end of 2005, after having reached peak prices of more than 60 dollars in August and September.

The world tanker ship fleet, equal to 681 million dwt, grew by 7,5% in 2005, following new deliveries or a total of 29,8 million dwt. There are orders for new tanker ships totalling 84,6 million dwt, the equivalent of 26% of the existing fleet.

In 2005, sales of tanker ships for demolition, equal to 7,2 million tons, decreased compared to 2004. Although the new phase-out system of the IMO (International Maritime Organisation) went into effect on 5 April of 2005, the expected flow of sales for demolition did not take place, with a large number of ship-owners preferring to make investments to upgrade the category of their ships and increase their working lives by a few years.

After the rise of 6,6 % registered in 2004, the volume of maritime shipping of oil grew by 2,4% in 2005, to 2,308 billion tons (+1,6% for crude oil and +5,9% for petroleum products).

Though the average results for the chartering of crude oil tankers showed lower levels than in 2004, the overall performance of the sector was positive, despite a series of negative events that occurred during the year; specifically: a noteworthy rise in the price of oil, which resulted in increased costs for maritime bunkering; the drastic reduction in Iraqi production; the significant growth in the fleet; the reduced level of oil imports to China and the sizeable drop in oil exports from Russia; plus the heavy tornados that hit oil rigs in the Gulf of Mexico.

Gas and chemical products

The fleet of gas tankers for liquefied natural gas (LNG), at 22,8 million cubic metres of capacity, registered an increase of 10% compared to 2004; the 130 units ordered from the world's shipyards will probably be delivered by the end of 2010.

Maritime shipping of LNG set a new record, with a total of 132 million tons transported, for an increase of 10% over 2004.

Dry Bulk Commodities

During the year, the bulk-carrier fleet grew by 7,2%. Orders for the construction of new ships, at 68,4 million tons, amounted to 20% of the existing fleet, while there were only approximately 2 million tons of demolitions in 2005.

At 2,631 billion tons, the amount of dry bulk merchandise transported by sea in 2005 registered an increase of 4% over 2004. The primary reasons are the high level of steel production and the constant growth in the demand for coal, used in heating.

Maritime traffic in iron minerals grew from 589 million to 650 million tons; coal traffic went from 664 to 690 million tons; traffic in grains went from 236 to 242 million tons.

The figures for dry bulk charters in 2005 were 47% lower, on the average, than those for 2004, though there were significant fluctuations during the year.

Cargo in containers

The world container-ship fleet showed an increase of 13,1%, reaching a capacity of 8,12 million teu by the end of 2005. The world's shipyards hold orders for the construction of 4,2 million teu (or 52,5 million dwt) of new container ships, the equivalent of 51,6% of the existing fleet.

The dimensions of container traffic remain sizeable, with growth of 11,6% in Asian ports, 12,1% in North American ports and 8% in Northern European ports.

The figures for charters show constant growth up to April, followed by a significant reduction in the months that followed.

Ro-Ro

Though a large number of new units were put in operation, the supply of ro-ro (car carrier) ships is still not able to cover the demand for the transport of cars, in part because that demand is constantly on the rise.

In 2005 the trend for cargo transported on ro-ro ferries continued to be very positive.

Charter activity showed high and constant increases, though the rise in the price of bunker represented a major problem for many operators.

Cruise ships

In 2005 the world cruise ship fleet grew by 3%, and forecasts call for the delivery of 30 new units by 2008. In the ranking of which countries had the most cruise ships flying their flags, Italy went from sixth to fourth place in 2005.

The world cruise-ship market continues to grow. It is estimated that the number of cruise-ship passengers totalled approximately 13,6 million in 2005, with the figure expected to rise to 18 million in 2010 and 20 million by 2015.

North America, which still accounts for the largest portion of the market, has gone from 4,4 million passengers in the mid-90's to 9,25 million in 2005, and is expected to reach 12 million by 2010. In Europe, growth should be even stronger, going from the approximately 3,2 million cruise-ship passengers of 2005 to the 4,5 million forecast for 2010. In the specific case of Italy, there were 420,000 passengers in 2005, a number forecast to rise to 580,000 by 2010. Other important countries for the European market are Great Britain, which had 1.1 million cruise-ship passengers in 2005, with forecasts pointing to a level of 1,5 million by 2010, and Germany, whose 660,000 passengers for 2005 is expected to rise to 1,05 million by 2010. As for the areas in which the cruises take place, constant growth has been registered in cruises in Europe, and especially in the Mediterranean, where Italy ranks as the leading destination, with 5,052,750 passengers, followed by Spain (3,500,000).

Forecasts call for an increase of 15,4% in 2006, meaning that a total of 5,830,000 passengers would move through Italian ports alone, with the Port of Civitavecchia standing out, given its proximity to Rome.

For a number of years now there has also been constant growth on the market for river cruises, with a wide variety of routes on 18 rivers in 12 European countries, for a total of 60 ships that move approximately 450,000 passengers yearly.

3. EUROPEAN SHIPPING AND THE UNION MARITIME POLICY

The merchant fleet of the European Union continues to play an essential role in international shipping. In 2005, with an increase of 2%, the EU fleet counts 7,669 units, making for 147,336 million gt (208,758 million dwt), which represents 33% of the world fleet in terms of dwt (16% in terms of number). If ships flying foreign flags are also considered, then the fleet controlled by the countries of the Union represents 37% of the world fleet. 70% of the foreign trade of the European Union (1,464 billion tons) is moved by sea. And the percentage rises to 90% when the distance travelled is calculated in terms of ton-kilometres.

With its 245 million tons, Italy holds first place in the ranking of European trade with the other major areas of the world.

Next come Greece and Bulgaria, with 220 million tons, Spain with 200 million, the Netherlands with 178 million, France with 160 million and Germany with 135 million tons.

As far as trade within the Community is concerned, 40% takes place by sea.

Short sea shipping

In a 2005 report on short-sea shipping, the European Parliament acknowledged the role of this sector as a valid alternative to roadway transport from an environmental perspective. In addition, the European Commission introduced a guide for the projects of member nations involving the highways of the sea.

According to Eurostat figures for 2004, this mode of transport moved 1,8 million tons of merchandise in the EU, equal to 63,4% of all the maritime traffic registered by the 25 countries.

Northern Europe and the Mediterranean accounted for the largest shares of short-sea shipping, with respective figures of 29,3% (582 million tons) and 26,9% (533 million tons) of the total volume moved.

Looking at the individual nations, the United Kingdom and Italy turned in the highest levels of short-sea shipping, with respective figures of 347 and 311 million tons moved.

In all the maritime regions, bulk liquid cargo (including liquid gas, crude oil and petroleum products) accounted for the largest quantities of merchandise transported by means of short-sea shipping services; in the specific cases of Estonia, France and the Netherlands, more than 60% of all cargo was transported in this way.

Looking at short-sea shipping for 2004 as a whole, it broke down as follows: 50,7% bulk liquid cargo; 18,9% bulk solid cargo; 12,7% ro-ro units; 10,2% containers and 73% others types of cargo.

Rotterdam is Europe's leading port on this sector. What is more, in all 20 of the leading European ports in the short-sea shipping ranking, this type of traffic is predominant over ocean-going transport. In fact, short-sea shipping accounts for more than 90% of activity in the British port of Forth, in the Italian ports of Augusta and Trieste, and in the Swedish port of Goteborg.

Proposed Directive on access to the Port Services market

Following the first rejection of the proposed Directive on access to the port services market, better known as the "De Palacio Directive", the European Commission passed a new directive proposal on the question in October of 2004.

But despite the repeated attempts of its sponsor, this second measure failed to obtain a favourable vote from the European Parliament, which rejected the proposal during a plenary session held on 18 January 2006, leading to final withdrawal of the measure by the European Commission.

The Commission reserved the right, however, to formulate an ad hoc document on European port policy, an issue that will be the subject of wide-ranging in the months to come.

Green Book on the future maritime policy of the Union for oceans and seas

In October of 2005, in a communication presented jointly by President José Manuel Barroso and Commissioner Joe Borg, in charge of fishing and maritime affairs, the European Commission launched the initiative of a Green Book on the future maritime policy of the European Union: among the motives underlying this initiative, emphasis is placed on the enormous contribution of the sea to our lives and our well-being, as well as its potential for economic growth. The current task of the Commission is to make the best of this potential, in accordance with the principles of sustainability. An integrated ("holistic") approach would contribute to forestalling conflicts and optimising synergies between the various activities tied to the sea, resulting in increased economic potential and defence of the environment. A similar strategy would also favour greater participation on the part of the parties involved, providing them with a global outlook and a thorough understanding of the implications of the different activities tied to the maritime sector.

A task force consisting of Commissioners Verheugen (Business and Industry), Barrot (Transport), Dimas (the Environment), Hubner (Regional Policy), Potocnick (Research) and Pieblacs (Energy), presided over by Commissioner Borg, is hard at work, in synergy with all the different components of the maritime industry, with an eye towards obtaining approval for an advisory document on public policy (Green Book). The publication of this document, scheduled for 7 June 2006, shall mark the start of a further, far-reaching consultation focussing on the different options available for the Union's maritime policy.

The Italian maritime cluster, meaning the Federation of the Sea, of which Confitarma is a part, has closely followed the preliminary phase of the initiative, and, as shown by the publication of the Third report on the Economy of the Sea, intends to make an active contribution to the debate, which will continue throughout 2006.

Indemnification of damages in the event of marine pollution

On the subject of the indemnification of damages resulting from hydrocarbon pollution, the main event of 2005 was the decision taken by the General Assembly of the IOPC Fund in the month of October, in London, to conclude the work of the group assigned to examine the pros and cons of revising the existing system. The new three-level mechanism, the result of an understanding with the international group of the P&I clubs, contemplates the following formula:

- implementation of a pact meant to raise, on a voluntary basis, the maximum ceilings on indemnification for small-size ships under the provisions of the Civil Liability Convention (STOPIA, or Small Tanker Oil Pollution Indemnification Agreement), which went into effect on 20 February 2006;
- sharing by the shipowners and the recipients of the hydrocarbons of the indemnification cost paid to the IOPC Fund, under a voluntary agreement entitled TOPIA (Tanker Oil Pollution Indemnification Agreement), which went into effect on 20 February 2006;
- creation of a workgroup within the IOCP Fund on the transport of hydrocarbons with substandard ships.

Competition in maritime liner transport

In 2004, as part of the application of the rules of competition to maritime transport, the Commission published a White Book in which it proposed abrogation of Regulation no. 4056/86, which stipulates the procedures for application of the rules of transportation to maritime liner transport (maritime conferences), though the Commission showed itself to be open to alternative approaches. The discussions with the operators, represented in the ECSA (European Community Shipowners' Associations) and the ELAA (European Liner Affairs Association), continued at intensive levels throughout 2005, culminating with the Commission's approval, in December of 2005, of a regulation proposal that abrogates Regulation no. 4056/86 and modifies Regulation no. 1/2003, extending its field of application to cabotage shipping and Tramp services.

Liner services: thanks to intensive industry lobbying throughout the legislative process, the Commission agreed to adopt, prior to implementation of the Regulation that abrogates Regulation no. 4056/86, scheduled for 2009, a set of guidelines designed to replace the Conferences system, so as to provide the sector with the minimal level of legislative certainty requested by the operators.

Tramp Services: as announced in the White Book of 2004, the European Commission has decided to apply Regulation no. 1/2003 on application of the rules of competition, as referred to under articles 81 and 82 of the Treaty (the so-called "procedure regulation"), to the tramp and coastal shipping sectors, which had been excluded from the field of application. Nevertheless, in light of the specific characteristics of the non-liner international maritime transport market (tramp services), the Commission has agreed to adopt the Guidelines, so as to specify the procedures for application of the rules governing competition. The Commission is still collecting information on the subject from the associations that represent the sector (ECSA, ELAA), in order to better "calibrate" its document, scheduled to be completed by the end of 2006.

Revision of the system of carrier liability in the maritime transport of passengers (Athens Convention 1974/2002)

The year 2005, saw further, in-depth reflection carried out on the issues pertinent to the implementation of the system of carrier liability for international passenger transport services (cruise ships and ferries), as stipulated under the Athens Convention 1974/2002, with a particular focus on insurance coverage of risks tied to terrorism and on carrier liability, issues that are still being elaborated on the international level, under the auspices of the IMO.

At the same time, consideration is also given to the Community sphere, with approval of the (EC) regulatory proposal on the liability of carriers who transport passengers by sea and by navigable inland water routes in the event of an accident, a proposal that is one of the seven legislative measures of the third packet on maritime safety approved by the Commission in 2005.

The legislative proposal, of particular interest to Italian ship-owners, is designed to make the Athens Convention of 1974, as modified by the Protocol of 2002, in the legislation of the European Union, complete with the following modifications:

- extension of the field of application to coastal shipping traffic and to inland waterways;
- elimination of the possibility available to member nations under the Athens Convention 1974/2002 to set higher limits of liability than those allowed under the Convention;
- in the case of damage to or loss of medical equipment/life aids to mobility belonging to a passenger whose mobility is limited, maximum reimbursement equal to the replacement value of the equipment or aid;
- in the event of death or personal injury of a passenger, the carrier advances a sum sufficient to cover the immediate economic needs, as contemplated for the air and rail travel sectors;
- supply to passengers of information on their rights (limits on reimbursement in the event of death, personal injury, loss or damage to luggage) before the trip.

This proposal, which is starting its way through the legislative process, is to be examined, within the framework of the co-decision making procedure, by the European Parliament and Council prior to its final implementation, expected by the end of 2007. The proposal has been included among the priorities of the working program of Finland, which holds office as the rotating President of the EU from 1 July to 31 December 2006.

4. ON-BOARD LABOUR AND TRAINING

Maritime Employment

At the end of 2005, on-board jobs with the Italian fleet numbered more than 27,450, of which 17,950 were held by Italian or European sailors and 9,500 by non-European personnel. With rotation, the jobs in question employ 35,600 sailors. The ratio between personnel on land and personnel aboard is currently estimated at one to five, meaning that the number of jobs on land at the end of 2005 is estimated at approximately 5,500 units.

On-board labour: European Union and international issues

During 2005, sailors' pay, based on the collective bargaining agreements of the countries in which they reside, was a subject of discussion within the ECSA (European Community Shipowners Associations), given the problems involved in employing sailors from countries that joined the EU in 2004, and especially Polish sailors. In order to embark them on Italian ships, a temporary solution was found through agree-

ments reached with the national union organisations. In all likelihood, the question will ultimately be brought before the European Court of Justice for examination.

On the international scene, in February of 2006 in Geneva, after ten years of work, on the occasion of the 94th session of the International Conference on Maritime Labour of the ILO (International Labour Office), the new Convention on maritime labour (Commarcon - Consolidated Maritime Convention) was given unanimous approval. In a single text, the Convention brings together more than sixty updated and modified regulatory instruments.

The Convention, which regards 1,2 million sailors, regulates all aspects of maritime labour, stipulating the rights and obligations of all the parties involved in the working relationship: ship-owners, sailors and even manning agents and employment agencies. A number of portions of the earlier conventions have been modified and streamlined, in order to guarantee an extensive number of ratifications.

This innovative instrument, together with the obligatory standards, introduces sanctions for non-compliance, with the possibility of the ship being shut down for grave breaches detected through the Port State Control system.

Another measure taken for the first time is the insertion of the principle of "no more favourable treatment", under which, if a ship docks at a port of a country that has ratified the Convention, it shall be subject to the controls contemplated under the Convention, even if the country whose flag is flown by the ship has not ratified. Application of this principle has noteworthy practical consequences, seeing that any country that intends to have a merchant marine fleet must apply the standards contemplated under the Convention, which shall go into effect following its ratification by 30 countries accounting for at least 33% of the world fleet: though these percentages are high, in all probability the objective can be met, given that the European Union alone includes 25 countries, all of them in favour of rapid ratification and accounting for a percentage of world tonnage that varies from 23% to 27%.

As regards the Italian flag, the implementation of the Convention should be a positive development, seeing that it shall eliminate the competitive advantages of the merchant marines of countries that do not apply international instruments, in view of the fact that Italy has already ratified the majority of the earlier conventions. Any negative consequences would be the result of modifications made by the Italian Administration during the translation and ratification of the Convention.

Another activity that involves Confitarma directly is the negotiation of the international collective bargaining contracts under the auspices of the IMEC (International Maritime Employers Committee), an international organisation head-quartered in London, with approximately one hundred members that control ships sailing under 42 different flags, for a total of approximately 15 million tons.

Confitarma has become involved in these activities in order to establish an international reference base lower than that set by the ITF (International Transport Workers Federation), in such a way that Italian contracts are lower than both those of the ITF and those negotiated by the IMEC. The latest agreement was signed by IMEC with ITF in October of 2005 in Tokyo. The astonishing growth of IMEC, apart from the organisational problems tied to the fact that the members are found throughout the world, making it difficult to organise frequent meetings, is cause for concern on the part of other international organisations, given the new role that is coming into being as part of the developments generated by the globalisation of markets, and even though, to date, IMEC's involvement with international collective bargaining labour contracts has entailed performance of a wholly innovative activity compared to that performed by other organisations that handle questions of labour on the international level.

On-board labour: national problems

In the month of December 2004, prior to the set expiration date (31 December 2004), agreement was reached with the union organisations Filt/Cgil, Fit/Cisl and Uiltrasporti for renewal of the economic portion (two-year period 2005-2006) of the national collective bargaining labour contracts or maritime, administrative and land-based personnel. Application of the concerted approach has favoured the holding of non-ideological negotiations, allowing the parties to arrive at a rapid conclusion, all while taking into account both the parameters stipulated under the Protocol of 23 July 1993 and the requests put forth by the unions. In the month of January 2005, the companies active in coastal shipping with a range of less than 100 miles were able to apply the increase in the benefit deduction, which had been raised from 25% to 50%, going into effect from 1 January 2004, while the efforts of Confitarma made possible rapid issue by the INPS of the memorandum with instruction regarding the payment adjustment to be made for earlier periods as well.

In the early months of the year, the Department of Navigation and Maritime and Air Transport of the Ministry of Infrastructures and Transport approved the ministerial decrees for the establishment of the training booklets for officer cadets and for aspirant coastguard seamen. These measures had long been expected, so that the cadets and aspiring seamen could be given their own booklet in which to register the training received.

Particular attention was focused on proper application by ship owning enterprises of the procedures contemplated under the union agreement of 21 February 2002 regarding exceptions for the embarkation of non-EU sailors in cases where Italian/EU sailors are not available, and especially with regard to the numerous requests for exceptions or personnel at ranks below that of officer.

In the month of May 2005, Confitarma and Fedarlinea signed with Filt/Cgil, Fit/Cisl and Uiltrasporti an agreement on a number of important points that had remained suspended during the latest negotiations for the renewal of the national collective bargaining contract, including, specifically, updating of the wages table for non-EU sailors embarked on ships entered in the International Register, with supple-

ments to the indemnity or accidents stipulated under the contract; establishment of a bonus for employee loyalty, even in the labour contract for captains and engine-room mates, as an alternative instrument to the CRL; the formulation, with regard to the national contract, of the sailing indemnities for captains, engine-room mates, second mates and second engine-room mates embarked on cruise ships; clarification of a number of points regarding the special shifts under the Fanimar insurance protocol.

Still to be clarified are the problems regarding the awarding of the contracts for the ancillary services on-board vessels used for coastal shipping, especially in the wake of the memorandums issued by the Department of Navigation and Maritime and Air Transport, which gave rise to problems of application and contrast with the earlier memorandums.

During the year, in implementation of Directive 1999/63/EC, Legislative Decree no. 108 of 27 May 2005 was approved; the measure regards the working hours of seagoing personnel, and objective difficulties have arisen, seeing that the transposition of the Community directive into national legislation, a result of the agreement reached on the European level between the organisations of employers and workers, and which, in turn, reprises the regulations contained in the OIL Convention no. 180, introduces modifications that have a burdensome effect on the management of ships flying the Italian flag, jeopardising their competitiveness with ships flying other flags. In December, following a meeting with ship-owners, both private and public, and with the union organisations representing workers, in order to meet with high-ranking officials of the Ministry of Infrastructures and Transport and the Ministry of Labour and Social Policies, a joint Confitarma-Fedarlinea letter was drawn up, highlighting the issues that have raised concern among ship-owners; some of these questions may be open to resolution with an interpretative memorandum, while, in the case of others, a legislative modification will be necessary.

Professional training

Special attention has been given this year to training, primarily for a number of on-board maritime positions, though the upgrading of the qualifications of a number of categories employed on land was also addressed. In November of 2005, after roughly a year of preparation, the Italian Merchant Marine Academy was opened in Genoa. This is the first such national academy, with the main goal being, at least initially, to offer a post-secondary-school course of study, carried out in part on land, through periods of study, and in part on-board, with embarkation of deck and engine-room cadets from all the regions of Italy.

The final goal is to prepare the students, through the academic procedure, to be ready, within a maximum period of 24 months, to take the examination for the class-III officers permit.

During the first year of operation of the Academy, more than 300 secondary-school graduates registered, following a competitive examination, while 100 cadets were admitted: 60 for the deck and 40 for the engine room. In addition, a post-diploma course was organised for 20 on-board commissioners. The percentage of women in the three courses indicated above was approximately 10%. The regional distribution of the 120 young people broke down almost evenly between the north, south and central regions. The largest numbers of students came from Sicily, Liguria, Campania, Tuscany and Sardinia.

The partners in the Academy, which is promoted by the Province of Genoa, include not only Confitarma and Fedarlinea, but also the leading organisations active in the maritime sector, as well as the Harbour Master's Office of the Port of Genoa, the Rina, the nautical institutes and the industry chapters of labour unions.

The project has also received approval and financing, as an IFTS course (Advanced Technical Instruction and Training), from the MIUR (Ministry of University Instruction and Research), in addition to being recognised by the Ministry of Infrastructures and Transport, the Ministry of Welfare and -last but not least- the Transportation Commission of the EU. Also participating in the initiative were the leading member navigation enterprises of Confitarma, given that the latter holds that it is important that there be highly qualified Italian personnel on-board Italian ships, especially in the officer positions.

Study is already under way on the second year of the course, which shall get under way in September through the planned selection process.

Another important initiative in the area of training is the creation of an experimental course for on-board chefs, seeing that there is a noticeable lack of Italian personnel precisely in this category.

Sponsored by the Campania Region, the first course, for 20 pupils, began in the month of March 2006 and calls for a period of instruction on land, followed by embarkation.

A number of significant initiatives have also been undertaken in the administrative sector, using the financing made available by the European Social Fund. Courses were held for employees of navigation enterprises, with an emphasis on advance study of the English language.

Separate mention should be made of the Seamaster training project, now in its third year. After the initial experience in Rome (at the Link Campus University, under the auspices of the Young Ship-owners Group and the IPSEMA), and the second phase in Genoa (at the Savona Campus, with the University of Genoa), this year the Masters course has been organised with the University of Trieste (ISTIEE), all the while maintaining the initial characteristics of the training project: in-depth academic study of maritime themes (economics, law, geopolitics and the planning of ports and routes); a meeting with the main operators in the sector, for the purpose of completing training and knowledge of the sector through visits to different operating settings, the international make-up of the class, identification of the facilities for on-the-job training, based on the inclinations and interests expressed by the individual students during the face-to-face classroom lesson phase; examination sessions at the end of each lesson module, for the purpose of evaluating the knowledge obtained and, if necessary, filling any gaps; presentation of an in-depth thesis at the end of the Master.

5. ENVIRONMENTAL PROTECTION AND SHIPPING SAFETY

There is undoubtedly a close connection between environmental issues and all social and economic activities. And this is all the more true for a sector such as the sea, for which the environment represents its working habitat and the foundation of its very existence.

Ship-owners are extremely active in their commitment to the environment, focussing a large part of their entrepreneurial and financial efforts on emphasising this concern by establishing and supporting a procedure whose chief objective is the achievement of sustainable development and the construction of an ongoing dialogue between the production and environmental sectors.

Successful coexistence of ecology, commercial development and technology constitute the present and the future of maritime traffic, representing the economic and cultural paradigm to be used in formulating the next set of models for development and the guidelines for an economic policy able to integrate competitiveness, innovation and sustainability.

Over the last thirty years, for that matter, there has been a noteworthy reduction in hydrocarbons spills in the sea as a result of maritime accidents or of vessel operations.

Within this context, Italian navigation enterprises are working towards the dual objective of reviving the economy and preserving the state of health of the sea and the territory, through initiatives able to establish a program for the eco-sustainable development of the fleet, so as to take advantage of all the development opportunities provided by the specific characteristics of the maritime sector and by heightening of the sense of environmental responsibility among ship-owning enterprises.

It should not be forgotten that, unlike terrestrial sectors, the maritime structure does not require the creation of infrastructures, with the environmental impact being limited to certain areas rather than entire corridors within the territory.

The first and most important step being taken by Italian navigation enterprises in the direction of sustainable, environmentally compatible development is the improvement of their companies and ships.

The current conviction that tanker ships are the primary cause of marine pollution is erroneous: the statistics show that the bulk of the pollution can be traced not to the transport of oil but to natural and land-based causes.

Improving the quality of environmental management

At the end of 2003, Confitarma, with the support of the European Commission, initiated the project Shipping with EMAS. The objective of this innovative pilot project is to gain experience with a Community system of voluntary environmental management (EMAS) while drawing up guidelines for the application of this system to navigation enterprises.

EMAS has included ISO14001 certification among its principles, with the primary point of differentiation from this standard being the increased attention placed on direct communication with public opinion.

Of the various activities planned under the project, particular importance is placed on the analysis of the opportunity of integrating EMAS with the ISM (International Safety Code), as well as with the other standards and procedures already in force in the shipping sector.

The results of the project shall be presented in the course of a final international convention scheduled for the month of July 2006; the guidelines for applying EMAS to shipping, published on a cd-rom, shall be distributed to all the European-Community navigation companies.

Phasing out of single-hull tankers

In 2001 concrete steps were taken to favour the elimination in Italy of tanker ships more than twenty years old, in addition to which the entry in national registers of similar ships flying foreign flags was prohibited. This allowed the Italian shipping industry to become a world leader in terms of preventing pollution from the maritime transport of hydrocarbons and defending the environment. Thanks to Law no. 13 of 2006, approved by Parliament at the end of 2005, the modernisation of the tanker fleet can now be completed by favouring the use of double-hull vessels through subsidies for the early demolition of single-hull tanker ships authorised to transport crude oil or petroleum or chemical products, with a gross carrying capacity of more than 600 tons and, as of 31 December 2004, a date of initial operation that extends back more than 15 years in the past.

The measure also establishes a fund to favour the reinforcement, replacement and modernisation of naval units assigned to perform local public transport services (units with a transport capacity of no more than 350 passengers) by sea, river or lake.

In order to become operative, the measure must obtain the approval of the European Commission.

Port State Control

In 2005, the fleet flying the Italian flag, with only 7 ships detained, consolidated its position on the WHITE LIST of the Paris MoU, which includes all countries that guarantee high levels of safety for their ships.

What is more, in 2005, for the seventh straight year, Italy ranked first, compared to the other nations of the Paris MoU, in terms of the number of inspections performed, the number of shortcomings discovered on-board, the number of ships stopped (until the grave irregularities are eliminated) and the number of ships banned (meaning the number of vessels sent away from the port, with simultaneous notification that they were prohibited from operating anywhere in the region of the Paris MoU).

The drop in the number of ships detained, observed in recent years throughout the Paris MoU Region, can be traced to the effectiveness of the controls.

Sulphur content of marine fuels

Following a lengthy legislative approval process, on 11 August 2005 Directive 2005/33/EC (replacing Directive 32/1999/EC) on the level of sulphur in marine fuels went into effect, with a period of 12 months provided for transposition of the directive into the national legislation of the EU member countries.

This is a fairly important measure for the maritime sector - which, in actual fact, would have preferred nothing more than application of Annex VI of the Marpol - and one that witnessed a certain amount of contrast between the European Parliament, which favoured long-term measures, and the EU Council, which supported measures scheduled over a more limited period of time.

During the approval process for the directive, the European-Community shipowners associations, including Confitarma, developed in a concerted manner, working through the ECSA, ICS (International Chamber of Shipping) and Intertanko, intensive lobbying of the European Parliament and Council, in order to persuade them to take an approach more in line with the operating needs of ship-owners, so as to avoid problems arising from the current situation of the fuel market and the difficulties posed by compliance with standards other than the international ones.

In strategic terms, the Directive should be seen as the first step in the process of lowering the level of emissions caused by maritime transport, meaning not only the level of sulphur in fuels, but other polluting emissions as well, such as NOx, VOCs, etc.

In effect, the directive proposes anew what was already contemplated under Annex VI of the Marpol (a 1.5% maximum for sulphur in marine fuels in the SECA areas and a system of monitoring and control of the level of sulphur in the fuel supplied to the ships), at the same time as it introduces regulations regarding certain categories of ships (in particular passenger ship engaged in line traffic within the EU) and specific situations (such as prolonged stops in port), looking ahead to the need for major initiatives of technical upgrading.

Recovery of dangerous wastes produced by ships

Directive 2000/59/EC on "reception facilities", transposed into national legislation with Legislative Decree no. 182 of 2003, had created numerous points of uncertainty regarding the interpretation of the procedures for the recovery of certain types of waste produced by vessels (bilge and washing water, containing residual cargo). The resulting operating concerns led to a stall of such activities. This temporary suspension of the recovery of the operating waste generated by ships gravely limited operations: in order to restore activities involving the recovery of bilge and washing water, containing the cargo residue produced by ships during their commercial operations, to the normal and habitual levels of operating efficiency, a legislative act proved to be necessary.

The approval process for this act was completed at the end of 2005, with publication of the decree issued by the Ministry of the Environment, acting in concert with the Ministry of Production Activities and the Ministry of Health, a measure that contained the regulations implementing Arts. 31 and 33 of the so-called Ronchi Decree on the simplified procedures for which subjects that collect certain forms of dangerous waste from ships can be eligible. Of particular interest to our sector is the possibility offered to plants engaged in the recovery of washing and bilge water, as well as of water containing residues of chemical or oil cargo, to carry out these operations under administrative and operating procedures simpler than those called for under Legislative Decree no. 22 of 1997 (the so-called Ronchi Decree).

Credit must be given to the pragmatic approach of the Ministry of the Environment, which, with this initiative, has eliminated a major obstacle in the way of performing activities normally carried out by refineries and coastal storage facilities.

Security

The implementation of the new international standards for security has given rise to a series of problems, some tied to the difficulty of introducing the new procedures within "ship management" practices consolidated over time, while others are due primarily to the scarce extent to which most ports have upgraded to comply with the required security measures.

They combined efforts of ship-owners and the Public Administration ensured, on the national level, that the entire fleet subject to the ISPS Code was correctly certified in 2005.

Confitarma, primarily through the Commission on Ocean Navigation, followed this complex situation closely, right from its onset, with initiatives including promotion of the creation of an ad hoc work group consisting of corporate CSOs and representatives of government institutions, for the purpose to finding the best possible operating solutions together. Special attention has been focussed on the National Program of Maritime Safety (PNMS), through active participation in the inter-ministerial CISM roundtable of the hoc workgroup organised under the auspices of the Ocean Navigation Commission. These activities have resulted in intensive efforts of mediation and proposal, for the purpose of restoring balance to the unfavourable efforts of mediation and proposal, for the purpose of restoring balance to the unfavourable contents of the first draft of the document.

The implementation of the new measures on security, and especially the application of the ISPS Code, as well as that of the Port State Control, led to decidedly positive results.

Between 1 July 2004, the date of the implementation of the ISPS Code, and 1 July 2005, of the 197 ships inspected (169 PSC inspections and 56 ISPS), 161 units were found to be in order, no ship was detained, and only 40 shortcomings of limited gravity were discovered.

Safety

In the wake of the attacks on the ships "Jolly Marrone" of the I. Messina company and "Cielo di Milano" of the company D'Amico di Navigazione in July of 2005, off the coast of Somalia, Confitarma requested that the Italian Navy intervene, carrying surveillance and escort operations in the Arabian Sea, so as to prevent and contrast pirate attacks. On 6 August, operation "Safe Sea 2005" got under way with the deployment of the ship Granatiere.

The results obtained through the action of the Navy, in addition to constituting an effective support, in an international context, of Italy's national identity and willingness to contribute to ensuring the safety of the sea, reinforces the tie that already exists with the Italian shipping industry and that underlies the working relationship between Confitarma and the General Command of Harbourmasters, taking the form of periodic encounters for updates on the situation and exchanges of information, always of use when it comes to further reinforcing the security of Italian merchant ships against pirate attacks.

In light of the acknowledgements received within the IMO for the activities carried out by Italy to fight piracy off the Horn of Africa, emphasis has been given to the importance of coordinating the actions taken by the countries involved in the aforementioned operation, in light of, among other factors, the noteworthy dimensions of the area involved.

6. CONFITARMA ORGANISATION

Heir to a tradition of associations of shipowners and operators that dates back to 1901, CONFITARMA, currently stands as the main industry association in the field of Italian navigation, representing nine-tenths of the country's merchant fleet and grouping together navigation enterprises and shipowners' groups that operate in all sectors of cargo and passenger transport, as well as in the cruise ship sector and with auxiliary traffic services.

CONFITARMA'S objectives include promotion of the development of the Italian merchant marine, the supply of assistance and the safeguarding of the interests of all the member enterprises, representation of the members in dealings with political and administrative authorities, as well as with any public or private entity, national or international, stipulating labour and economic agreements, plus collective bargaining contracts, in addition to representing and defending the interests of the members on issues of labour and economics of both general and specific interest and supplying members with information and consulting. CONFITARMA belongs to CONFINDUSTRIA and to FEDERTRASPORTO - the National Federation of Transportation Systems and Modes - and it is directly represented on the CNEL - the National Council of Economics and Labour - as well as the IPSEMA - the Social Security Institute for the Maritime industry - in addition to being a founding member of the FEDERAZIONE DEL MARE - the Federation of the Italian Maritime System, of the SHORT SEA SHIPPING Ufficio di Promozione Italia and of the IDC - Italian Distribution Council - plus the National Logistics Agency.

In the International field it joins and cooperates with:

- ECSA - European Community Shipowners' Association
- ICS - International Chamber of Shipping
- ISF - International Shipping Federation
- BIMCO - Baltic and International Maritime Council Association
- INTERTANKO - International Association of Independent Tanker Owners
- IMO - International Maritime Organization
- ILO - International Labour Organization
- INTERCARGO - International Association of Dry Cargo Shipowners

CONFITARMA has its headquarters in Rome, a delegation office in Genoa and offices of representation in Naples and Ravenna.

Young Shipowners

After six months of informal activity, the Young Shipowners group was founded on 28 June 1995, in implementation of art. 26 of the Confederation By-Laws, with the following objectives as an association:

- promoting within the Group an awareness of the ethical and social function of free enterprise and of the related responsibilities of the entrepreneur
- examining in depth topics of far-reaching strategic importance regarding the shipping industry and the maritime system as a whole
- contributing to the constant effort to keep Confitarma in step with the changing needs of the shipping industry, based on the dynamics of the economic and social context
- favouring the training of fresh forces for the management of shipowning enterprises and the correlated association activities.

The Group has more than 60 members representing approximately 50 enterprises and including shipowners and the children of shipowners, plus management personnel and staff directly involved in the business sectors represented by CONFITARMA.

Young Shipowners play an active role in the life of the Confederation.

Their President is automatically a member of the Board and the Management Council of CONFITARMA. The individuals sitting on the Management Council, together with the other members, are widely represented on the advisory committees, which contribute to the development of the main themes of the shipping industry and the maritime system.

Of particular note is the participation of the Young Shipowners in the ECSA workgroups in 2005.

They maintain constant interest in the ongoing development of the school system, especially with regard to how the maritime professions are cultivated. Along these lines, the group made a decisive contribution to the establishment of the first Italian Academy of the Sea, opened in Genoa on 11 November 2005. Other areas of major effort were the promotion of personal and professional growth, plus the marketing of the Association through the organisation of encounters:

- A comparison of experiences with other associations, opening up to and involving the Young Industrialists of the Confindustria (Capri- October 2005)*
- Periods of training devoted to communications and leadership skills (Rome - December 2005)*
- Meetings to learn of the latest advances in safety in logistics, in collaboration with Wista (Rome - March 2006)*
- Encounters to take an in-depth look at family-run companies, new generations and governance, with the participation of Prof. Guido Corbetta of the Bocconi University and of the President of the Young Industrialists, Matteo Colaninno (Cortina d'Ampezzo - March 2006)*
- Days for reflection on the social doctrine of the church and the role of man in the economy, as guests of the Centesimus Annus Foundation, with the involvement of the Young Industrialists of the Confindustria (Vatican City - 25 May 2006).*