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English version

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## Introduction by Nicola Coccia, President of Confitarma

*In 2007, Confitarma set itself the objective of opening up the doors of a sector that, until then, had been viewed as practically a members-only club, with the first 48 Hours of the Sea event, held in Naples on 10 and 11 May, pointing the way to an annual project meant to bring the general public closer to the world of the sea. Though communicating the sea means more than simply advertising the sector: our goal is to share with others the experience and the knowledge of those who, before everybody else, caught wind of the changes brought about by globalisation.*

*With the second annual 48 Hours of the Sea, to be held in Genoa on 8 and 9 July 2008, we wish to continue along this undoubtedly lengthy, and anything but easy, path: the excellent results obtained in 2007 stimulate us to move ahead with persistence and confidence.*

*We have registered the important result of drawing growing attention on the part of the world of finance to the shipping industry: Italian shipping has succeeded in consolidating and reinforcing its presence on the world scene to a noteworthy extent, transforming itself into a highly attractive sector for the world of finance, including both banks and investment funds.*

*The experience and the increasingly international perspective of the banking sector are also factors of key importance. I am glad to be able to report that Italian banks have made noteworthy progress, to the point where they are now able to short/medium-term financial services in Chinese currency as well: an especially important feature for businesses that plan on locating profit centres in China.*

*Another critical development is the constant growth of the Italian merchant fleet registered in recent years: at the end of 2007, the Italian fleet totalled 14 million tons, and I believe a forecast of 20 million tons by 2010 is starting to look increasingly realistic, thanks to the massive investments made by Italian shipowners in the construction of new units. We have a young, technically advanced fleet capable of satisfying the demands of the industry and attentive to defending the environment, as well as navigation safety.*

*In short, our fleet is growing, registering increases higher than the world average. It is an historic moment for Italian shipping, seeing that there has never before been a period of such noteworthy change and growth. Each time a new ship is launched, it contributes to the growth of the entire country, seeing the work, the jobs, the investments, the ideas, the research, the innovation and the design that lie behind the ship, as well as the further impetus it lends to Italy's presence in the world.*

*Maritime transport is an index of the wealth and strength of a nation, and shipowners are well aware of how important it is to always look forward, taking an international perspective in which competitiveness and speed are the rules according to which decisions are made.*

*Without a doubt, the competitive revival of our fleet can be traced to the reform of international navigation undertaken in 1998, with the approval of Law no. 30, which established the Italian International Register, which, this year, celebrates its tenth anniversary. "This instrument was created thanks to the foresightedness of European-Community institutions, which, holding the maritime sector to be a key element in both the present and future economic strategies of the European Union, provided the member nations with guidelines for action on the national level. The Italian fleet was thus able to match up with the competition, and today Italy can count on a highly prestigious fleet capable of guaranteeing supplies of raw materials for our industrial concerns and finished products for consumers. It is important that our political institutions know how to evaluate and make the most out of our country's strengths, of which our shipping industry is definitely a prime example".*

*To mark the event, our public general assembly shall be held in Genoa, as part of the 48 Hours of the Sea, providing the opportunity for a round-up of what has been accomplished and what remains to be done.*

*The growth in the Italian fleet has been paralleled by an increased number of commitments and tasks, with numerous problems remaining to be solved, largely because our world sets an extremely rapid pace: we cannot afford to fall out of step with our competitors.*

*Within this scenario, a key role is played by the institutions that are called upon to create and promote the conditions needed to satisfy such a variety set of demands. In the final analysis, however, the responsibility for enacting the necessary changes in the traditional schemes of management and finance rests with us directly involved in the sector.*



## **THE ITALIAN MERCHANT MARINE IN 2007 POTENTIAL OF THE ITALIAN SHIPPING INDUSTRY AND OPPORTUNITIES IN THE FIELDS OF FINANCE AND SHIP- BUILDING.**

The recent development in Chinese shipbuilding represents a major opportunity for the Italian shipping industry, in terms of the construction of different types of vessels, including those with high levels of technology.

In the interests of establishing a fruitful working relationship in the sectors of finance and shipbuilding, a Confitarma delegation travelled to China in January of 2008, in order to illustrate the potential of the Italian shipping industry at the highest levels of the Chinese institutional and financial structure, while signing a series of agreements regarding new construction projects in Chinese shipyards, plus new forms of financing and training.

The agreement signed between the Shanghai Federation of Industrial Economics and Confitarma, a preliminary document to understandings with associations of Chinese shipyards, and part of an overall framework of cooperation, obliges the Chinese partner to: provide information on Chinese shipbuilding programs, skills and know-how, both present and future; to facilitate relations with Chinese shipbuilding associations and/or individual shipyards; to work to resolve any problems that might arise in the formulation of contracts; and to favour cooperation between the Chinese banking system and Italian shipowners with regard to the financing of the orders placed by the latter with Chinese shipyards. For its part, Confitarma undertakes to: keep the Chinese Ministry of Naval Construction informed with regard to the need for new naval constructions on the part of Italian shipping, so that the related requests can be routed to the Chinese shipyards best suited to the task; provide its members with information on Chinese shipbuilding skills and know-how; and to facilitate the organisation of groupings of members interested in serial production initiatives in China.

Of particular importance in this respect is the joint venture between the Chinese Classification Register and the RINA: the latter shall provide second-level Chinese shipyards with support in raising their construction standards, so that the new units meet the requirements of the International Association of Classification Societies (IACS), in this way providing the Italian shipping industry with valid aid in seeking out shipyards that prove reliable in terms of construction deadlines and quality as well. In addition, a high-level group has been established to carry out a preliminary exploration of the possibilities of finding a procedure for the amicable settlement of any disputes that might arise between Italian shipowners and Chinese shipyards in the course of implementing construction contracts.

The experience and the international outlook of the banking industry – and the credit sector in general – have also become key factors, with noteworthy advances having recently been made by Italian banks, which are currently capable of offering short/medium-term services in Chinese currency as well: an important underlying condition, especially for firms that intend to establish profit centres in China. For that matter, in order to continue growing, thanks to a further renewal of its fleet, Italian shipping is well aware of the need for new instruments able to attract to the sector new financial resources earmarked for investment, eventually through the establishment of relations that fall outside the traditional mechanisms.

One example would be the possibility of forging a new relationship between the Italian shipping industry and the credit system (involving the Italian banking industry, the Chinese banking industry and the national and foreign institutional subjects that guarantee credits), which would be combined in a network able to take advantage of their respective strengths: the potential for growth of Italian shipping and the funding at the disposal of the Chinese banking system, combined with the knowledge of Italian shipping possessed by European banks, all with the underlying support of a network of international guarantees.

From this perspective, and for the purpose of procuring financial resources meant to serve as an incentive for investments by Italian shipowners in new construction projects to be commissioned from Chinese shipyards, Confitarma has signed an agreement with the Export Import Bank of China (EXIM), meant to provide a general outline for cooperation between the parties with regard to future projects and activities: Confitarma shall support and promote the Chinese banking system among its members, and especially the EXIM Bank, which, in turn, shall undertake to provide assistance in identifying the best possible financial solutions available.

The visit of the Italian delegation in China provided an occasion for reinforcing existing relations in the field of training: an agreement was signed between Confitarma, Rina and the Shanghai Maritime University, making it possible to earn specialised diplomas in "Ship Operation, Safety and Classification", so as to turn out personnel with expertise on international legislation regarding safety, environmental protection and the rules for the international classification of ships.

### **SIZE AND COMPOSITION OF THE FLEET**

At the end of 2007, the Italian owned merchant fleet consisted of 1,535 ships, for a total gross tonnage of 13,970,348 gt, distributed as follows:

- Ships of more than 1,000 gt: 738 vessels, making for 13,712,746 gt
- Ships of from 100 to 999 gt: 797 vessels, making for 257,601 gt

Compared to 2006, there was an increase of 4% in the number of ships and 6.5% in the tonnage.

The units entered in the Italian International Register number 606, making for 12,465,231 gt, equal to 89% of the Italian-owned merchant fleet. The ships entered in the Ordinary Register number 922, making for 1,475,700 gt, while the number of Italian-owned ships temporarily flying a foreign flag (bareboat charter registration) currently number only 6, for 27,930 gt (though these ships are an example of the internationalisation of our maritime industry: in fact, the temporary change of flag allows our ships to penetrate foreign markets, especially those of developing countries reserved exclusively for ships flying the local flag).

The portion of the fleet controlled by subjects whose capital is all or predominantly private is equal to more than 95.6% of the total, while the portion controlled by public-sector subjects shows a constant decline.

The Italian fleet confirms its status as a young fleet, both in absolute terms and compared to the worldwide average: approximately 57% of the vessels are less than 10 years old and 33% are less than 5 years old.

### **COMPETITIVENESS OF THE ITALIAN FLEET**

There are a number of factors that contribute to making the Italian merchant fleet competitive.

#### **Tonnage Tax**

Recognition of the key position held by the maritime industry within Italy's overall production framework, as well as the awareness that the sector constitutes a fundamental resource for the country, have led legislators to draw up, over the last decade, a series of instruments that allows operators to compete on international markets and obtain new areas of operation.

The key measure in restoring the competitiveness of the fleet flying the Italian flag was the introduction of the International Register in 1998, a development that provided a noteworthy incentive for the use of the Italian flag, and that was followed by important adjustments to the different operating realities, as well as by the establishment of the Tonnage Tax System in 2004.

Along these same lines, the 2008 Budget Act introduced two corrective initiatives meant to reinforce the competitiveness of the Italian fleet.

First of all, with regard to the objective sphere of application of the measure, the condition of use in international traffic of ships eligible for favourable treatment was eliminated, retaining only the requirement that they be entered in the International Register, so as to make the new tax rules applicable to larger short-sea shipping units as well, meaning vessels that operate, for the most part, in

international waters. The modification is further justified by the fact that it reflects that main models of lump-sum taxation utilised on the Community level, where no distinction is made as to whether a ship managed by a subject benefiting from the tonnage tax operates in national or international waters.

Secondly, the benefit of the lump-sum tax treatment is extended to a category of subjects which, to date, had been excluded, meaning companies of commercial parties (companies established under a collective name or limited partnerships), with the result that the tax-law categories once again correspond to those of the Civil Code. This will allow operators to obtain the benefits of the tonnage-tax system regardless of the type of legal format they hold to be best suited for the performance of their activities. The point of the measure is to eliminate a discrepancy that has existed to date in Italian Law, specifically with regard to the taxation of maritime enterprises, seeing that the original ruling limited the scope of application of the benefits to corporations, with individually owned companies being excluded, as if shipping activities could be carried out only by the first category of enterprises. Furthermore, the extension of the beneficial treatment to individual companies has made it possible to bring Italian legislation in line with similar rules already in effect in a number of the member countries of the European Union (i.e. Germany, Spain and Greece).

#### **Non-EU sailors**

During the year, Confitarma urged the Italian Ministry of Internal Affairs to find a solution for non-EU sailors employed on Italian ships and often unable, on account of an extremely complex procedure, to disembark. To this end, the Ministry could issue a memorandum based on the procedure already in force in the Port of Genoa, under which all that is required is a copy of the letter of satisfaction signed by the sailor, with the right to obtain a contract coming into play only in exceptional cases, when the border controls carried out on the passport call for a more in-depth investigation.

#### **Act of Nationality**

In a director's decree issued by the Ministry on 24 October 2007, the new forms for the act of nationality and provisional passive bearers, to be used in entering merchant ships in Italian registers, have been approved, the result of a joint effort between Confitarma and the pertinent department of the Ministry of Transportation. The forms are bilingual, being drawn up in Italian and English, and both the contents and the format have been simplified, as compared to the previous versions, which dated from 1953. Presentation of the new forms to the Harbourmasters' Offices and the main consulates began in the Spring of 2008.

#### **Off-shore supply and bunkering services**

In a Ministerial Memorandum dated 6 July 2007, the Ministry of Transport clarified the criteria for the eligibility of vessels continuously engaged in off-shore supply services to be entered and/or remain in the Italian International Register, so as to harmonise the current administrative practices on the local level. This major result was obtained after months of intensive effort on the part of the Off-Shore Workgroup, made up of representatives of all the Confitarma members active in the area, which finally obtained an initiative from the Ministry meant to provide this support sector for the national energy system with adequate instruments for competing on a liberalised market. The Maritime Bunkering Workgroup has also resumed its activities. Based on updates to the study regarding the importance of this sector for the mobility of cargo in our country, it intends to present proposals to the pertinent administrative organs, in order to ensure adequate competitiveness in the sector.

#### **Short-Sea Shipping**

Measures were included in the 2008 Budget Act calling for eased tax and benefit contributions for companies that operate along maritime routes of less than 100 nautical miles, such as those that provide connections to the minor islands or carry out, for the most part, socially beneficial maritime services, such as the transport of passengers and supplies, guaranteeing the territorial continuity of the country and

the mobility of citizens who live in sites that are not easily reached. For the last 9 years, Confitarma has been waging a full-fledged battle to make sure that this category of ships is not deprived of a key instrument of competition.

Hopefully, the initiatives taken in favour of short-sea shipping shall be rendered structural, making it possible for shipping companies in the sector to engage in effective, multiyear planning of their activities.

#### **Commission on Rules and Competitiveness**

Looking at further efforts to improve the competitiveness of the Italian fleet, the Commission on Rules and Competitiveness continued, throughout 2007 and in the early months of 2008, its assigned function of analysing national and international maritime rules and proposing alternative solutions for those measures which, no longer adequate to the reality of maritime markets, place excessive burdens on companies in the sector. Of particular note is the continuation of the process of presentation before the Chamber of Deputies of Legislative Project no. 1707 on the simplification of administrative procedures for the maritime sector.

An important development has been the reinforcement of the presence of institutional bodies on the Commission, with the entry of representatives from the Ministries of Health and of the Environment, as well as the General Department for Italians Abroad and for Immigration Policy of the Ministry of Foreign Affairs.

Of particular note within this context was a meeting, held on 13 February 2008 at Confitarma with the Ministry of Health, to discuss specific problems, such as: the fact that it is impossible to purchase pharmaceuticals for hospital use; the need for remote-medical services in situations where, as on merchant ships, an onboard medical service is not required; disposal of expired pharmaceuticals when the ship is outside of national waters.

#### **NAVAL INVESTMENTS AND THE RENEWAL OF THE FLEET**

During the period 1998-2007, delivery was made of 481 units, making for 6.9 million gross tons, while, at the end of 2007, there were 97 units under construction in Italian and foreign shipyards, totalling 1.4 million tons.

Since 2005, Italian shipowners have ordered 251 new vessels from Italian and foreign shipyards, making for almost 14 million tons of capacity. Of these ships, 53 units (21% of the total), equal to 4.5 million dwt (30.5% of the total), are under construction in Chinese shipyards, representing a total investment of approximately 2.5 billion US dollars.

For the reviving of naval investments, the 2008 Budget Act introduced the so-called "tax lease", a set of operations that make possible the transfer of tax savings (in full or in part) from the leaser to the using party, in the form of a reduction on the leasing fees or the purchase price.

This instrument could contribute to reducing the financing costs for ships, with one possibility being the granting of tax benefits through higher depreciation of the goods provided under leasing arrangements; this would be in line with the measures implemented in other European countries, which have, for some time, established forms of leasing offering noteworthy tax benefits (i.e. France, Spain and the United Kingdom).

The measure, which can go into effect following approval by the European Commission, calls for: advanced depreciation at an annual rate of 35% for registered mobile assets subject to depreciation over a period of no less than ten years; deduction of depreciation, even prior to the placement in operation of the asset, within the limit constituted by the total fees paid to the manufacturer in each year. The benefit, considering that large depreciation charges are taken in the first years of the life of the asset (or the contract), translates into an unquestionable financial advantage, as a result of the deferral of the taxation to later years.

Though the measure presents a number of critical problems that must be overcome, the lease tax could function, as it does in other nations of the EU, as an indirect benefit to companies, including maritime enterprises, thanks to the savings obtained by the leasing companies: savings, which, although they would not take the form of an actual



tax reduction, would decrease the overall cost for the user. During the year 2007, in line with the provisions of Law no. 13 of 2006, calling for advanced phasing-out of single-hull tanker ships, demolition work was begun on approximately 20 vessels, in large part with load capacities of less than 5,000 tons, supplementing the procedure for the renewal of the tanker fleet initiated under Law no. 51 of 2001. In 2008, the ministerial procedure for payment of the subsidies called for under the Law shall be completed.

### ITALIAN FOREIGN TRADE

In 2007, 57% of Italian foreign trade utilised seaborne transport (232 million tons of imports and 67 million tons of exports), while 19% travelled on the road.

37.4% of Italian foreign trade is carried out with the countries of the European Union, for a total of almost 195.6 million tons. Of this amount, 16% travels by sea (10% of imports and 22% of exports). In contrast, 45% of trade with the EU (approximately 88 million tons) is carried out using roadway transport.

### BALANCE OF TRADE

During 2007, 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 40% of the total interchange of transport services, registering a figure of 13.297 billion euro, as compared to 19.750 billion euro for all the other transport systems taken together.

### TOURISM THAT COMES FROM THE SEA

Thanks to factors that include safety, efficiency and quality, the cruise-ship sector in Italy shows continuous growth, in contrast to the trend for land-based tourism. This last sector, after a period of growth that peaked in the 70's, when the country held first place in the international rankings, has registered a continuous loss in standing (fourth place in 1990 and fifth in 2006), even compared to countries that clearly possess fewer resources in terms of landscape, archaeology, art and culture.

Italy holds onto its place as the Mediterranean's leading cruise-ship destination, with 21.5% of the passengers. In 2007 there were more than 7.5 million cruise-ship passengers were handled by Italian ports, for an increase of 27.5% over 2006. Forecasts for 2008 call for a further increase of 10.45%. The five leading ports account for 75% of the passenger traffic: Civitavecchia, Venice, Naples, Savona and Leghorn.

Cruise passengers boarded in the Italian ports, accounting for direct spending of 330 million euro in airplane tickets, port taxes, hotel accommodations, food and beverages, excursions and other purchases. According to the statistics of the report "Contribution of Cruise Tourism to the economies of Europe", presented in Brussels in February of 2008 by the European Cruise Council, in Italy the cruise-ship industry employs more than 74,000 workers and accounts for direct spending of 3.2 billion euro, of which 1.5 billion (+25% compared to 2005) are earmarked for investments involving the expansion and modernisation of the fleet. At present Italian shipyards are working on the construction of 21 of the 43 new cruise ships on order as of the end of 2007, a figure equal to 44% of the new capacity and of the new investments for the four-year period of 2008-2012.

The Italian cruise industry retained its status as European leader in terms of both impact on the domestic economy and personnel directly employed. In 2006, the number of Italians who decided to go on cruises rose by 29%, as compared to 2005.

While the statistics on international tourism of the UNWTO (World Tourism Organization) show that 60% of international arrivals are concentrated in the six months in the middle of the year, cruise-ship and ferry tourism by sea are the only sectors that have successfully expanded off-season traffic in the Mediterranean, especially along Italy's coasts and in its cities of art. Indeed, over the last four years, winter cruises (from October to February) have more than doubled.

Infrastructures play an important role in the development of tourism,

especially in terms of the availability of adequate spaces and uncluttered routes for the vehicles carrying the thousands of excursionists who get off the ships daily (from a minimum of 2,000-3,000 up to 10,000). A comparative analysis of the stock of infrastructures of the major European countries, with respect to their GDPs, not only demonstrates Italy's noteworthy advantage over France, Great Britain, Germany, Belgium and Holland, but also shows the impressive growth of Spain, which has registered an increase of 84% over the last ten years, and will soon overtake our country, which has grown by only 14% during the same period.

Together with the need for cruise terminals whose standards of quality match those offered onboard today's modern cruise ships, it is of fundamental importance that our ports make an effort to improve their organisational performance in the near future.

### THE MARITIME NETWORK, PORTS AND LOGISTICS

#### The National Maritime Security Program and operations of the Italian Navy

Thanks to awareness of the issue on the part of Company Security Officers, the shipping companies and the terminal operators, as well as the contributions of the Italian maritime and port authorities, there has been constant growth in both professional skills and investments regarding advanced security technology.

On 27 April 2007, the CISM – or Inter-Ministerial Committee for Maritime Security, approved the National Program of Maritime Security against Intentional Illicit Actions (PNISM), which constitutes the operating and regulatory instrument for implementation in Italy of the contents of the ISPS Code and the European-Community Regulations on maritime security.

On 5 March 2008 an operating workshop was held, featuring a presentation to the CSO of the shipowning enterprises on the activities performed by the Italian Navy to ensure the security of maritime traffic, including both the repression and the prevention of acts of piracy against merchant ships. One effort in this direction is the Medal '08 Campaign, a strategic framework for secure maritime traffic (homeland security) and the establishment of dialogues and working relationships with other countries.

#### Highways of the Sea and Eco-Bonus

The maritime lines that meet the definition of "Highways of the Sea" present, as of April 2008, an overall weekly offer of 464 departures, for more than 780,500 linear metres, making for an additional increase over the same period of 2007.

As things currently stand, there are approximately 1,200,000 heavy vehicles that habitually use the "Highways of the Sea". Under such conditions, the ships operating on these lines can count on filling roughly 50% of their hold capacity. This means that a further increase of 50% could be obtained without additional economic, social or environmental costs, at the same level of maritime service. Under the 2008 Budget Act, the eco-bonus program has finally been initiated, through allocation of 77 million euro for each of the years 2007, 2008 and 2009, in order to support the choice of sea-way as opposed to roadway travel on the part of trucking operators. The subsequent Decree no. 1 of 8 January 2008, issued by the Ministry of Transportation, stipulated the percentages from which the trucking operators that opt for the Highways of the Sea can benefit. Companies that make at least 80 trips a year on the same route may receive an incentive consisting of reimbursement of a portion of the cost of sea travel.

The accompanying measures are meant to encourage forms of association between small-size enterprises, for the specific purpose of making effective use of the maritime alternative to roadway transport, in addition to facilitating training initiatives designed access to maritime routes and the purchase of electronic equipment, as well as information programs whose objective is to optimise the transportation under conditions of optimal security.

#### Figures on port traffic

In 2007, movement of containers in the main Italian ports showed



an increase of approximately 8%, for a total of 10.6 million teu. Increases were registered in ports of Genoa (+12%), Gioia Tauro (+19%), Leghorn (+15%), Ravenna (+18%) and Trieste (+22%).

#### **Reform of Law no. 84 del 1994**

For at least five years now, Parliament has been examining legislative proposals for reform of Law no. 84 of 1994 on the regulations governing port activities, though, to date, this project has yet to be completed. What is more, the 2007 Budget Act also includes noteworthy modifications of the measures on the financial autonomy of the port authorities, while art. 1 of Law no. 247 of 2007 on labour and social security has modified the rules governing labour in ports.

The new rules on labour in ports, in contrast to four like rulings handed down by the State Council on the subject, oblige all the port companies to apply a collective-bargaining agreement, albeit in the form of a minimum irremovable pay level, regardless of whether or not the business associations have assigned the agreement, giving rise, at the very least, to questions of constitutionality, in light of the apparent violation of the principle of autonomous labour-union activity established under art. 39 of the constitution.

The modifications introduced mark a return to operating models believed to have been left behind for good, allowing companies that supply labour services under monopoly arrangements to carry out other port activities as well. And the parties in question are also allowed to collect a charge for the issue of concessions for public land regarding activities which, in any event, are connected with the use of maritime public property.

On closer examination, the measure constitutes nothing less than a challenge to the underlying principle of the process of modernisation and liberalisation of port activities, as implemented under Law no. 84 of 1994, in accordance with the guidelines set by the European Commission for the purpose of avoiding situations of abuse of dominant positions, such as what would emerge from a combination of free-market port activities and the supply of temporary labour services provided under a monopoly arrangement.

It is to be hoped that, with the reform of Law no. 84 of 1994, all the rules governing port labour shall be reviewed, and that any measures which present obvious defects in terms of constitutional legitimacy, as well as any that violate the principles of the European Community with regard to free competition, be eliminated.

A number of proposals presented during the last for legislature for modification of Law no. 84 of 1994 aim at reducing the level of ownership representation on the Port Authority Committees, in clear contrast to the direction followed by the legislators in 1994, in the interests of permitting a constructive exchange between public demands and the needs of the private sector. It is important that the business operators not be excluded from decisions that can have an effect on the levels of performance of port activities, with any conflicts of interest to be regulated under specific internal rulings of the Port Committee.

Finally, steps must be taken, forthwith, to return the Local Advisory Committees to conditions of operating legitimacy, seeing that the procedures for their renewal, the deadline for which arrived in 2007, were put on hold, given the difficulties encountered in interpreting the provisions of Presidential Decree no. 93 of 2007.

#### **Emergency port excavation**

In order to accelerate the timing of port excavations, which have taken on strategic importance in terms of the development and competitiveness of national ports, the 2007 Budget Act called for the issue of a specific ministerial decree defining the procedure.

Only a year and a half later, with acceptance of the State-District Conference, the Ministry of the Environment and of the Defence of the Territory and the Sea, has been able to issue the ministerial decree, giving enforce of procedural simplification and answering to the issue of competitiveness of the most important domestic ports which were risking losing ground to Algeciras, Piraeus, Malta and Valencia, our primary competitors in the Mediterranean.

#### **Revision of the system of maritime taxes and duties**

In November of 2007, a meeting was held at the Administrative Office of the Minister of Transportation to examine a draft decree on revision of the system of maritime taxes and duties. Following Confitarma's repeated requests to be directly involved, in the formulation of the decree in question, it took part in the meeting.

Of particular note among the observations it made at the meeting was Confitarma's, insistence on maintaining the annual anchoring surcharge fee, which had inappropriately been cancelled from the draft decree. To date, however, the decree has still not been published.

#### **Rules governing technical-nautical services**

In February of 2007, the Ministry of Transportation, following a meeting with the different organisations involved, issued a memorandum clarifying the criteria and the mechanisms for formulating the fees for towing services, in particular with regard to fee adjustments.

In March of 2007, Assoport, Angopi, Assorimorchiatori, Confitarma, Fedarlinea, Federagenti, Fedepiloti and Federimorchiatori signed a joint document identifying the amendments to be made to art. 14 of Law no. 84 of 1994, subsequently included in the draft of the legislative proposal for reform of the law submitted to the Government. This document constitutes a good starting place for the next legislature as well, given that it enjoys the unanimous support of all the political forces.

#### **Fee schedule for the towing service**

Starting in the month of October 2007, initial contacts were made with the towing company organisations, in order to begin the second evaluation of the schedule, addressing any further critical problems that emerge during the application phase.

#### **Piloting**

During 2007 on the subject of the Pilotage Act, an inter-association agreement signed in 2005 to reform the system for the distribution of quotas in favour of retired pilots, was the subject of Parliamentary initiatives designed to lead to implementation. But despite the fact that the measure entails no expense for the State, it has met with considerable difficulty. At present the legislative mandate is the instrument used to for all the provisions of the agreement that modify the articles of implementation of the Code of Navigation.

## **INTERNATIONAL NAVIGATION AND MARITIME TRAFFIC**

### **WORLD TRADE AND MARITIME TRAFFIC**

In 2007, after an initial phase of expansion, the world economy showed signs of a slowdown, especially in the United States, but in other advanced economies as well, on account of the financial turbulence generated by the crisis in the market of so-called "sub-prime" mortgages. The expansion of the emerging economies, on the other hand, continues.

According to the estimates of the International Monetary Fund, rising inflation and higher oil prices will cause global growth to slow from 4.9% in 2007 to 3.7% in 2008.

In contrast, world trade registered a 5.5% increase in 2007, as opposed to 8.5% in 2006. Europe, in the same way as China and the emerging economies, recorded noteworthy growth in terms of both exports and imports.

World maritime traffic for 2007 showed an increase of 5.2%, with the volume of cargo transported totalling 7.572 billion tons. The demand for maritime transportation services, defined in terms of both quantity and distance, is equal to 32.932 trillion ton-miles, showing an increase of 4.7% over 2006.

The breakdown of the loads transported was: 33.4% crude oil and petroleum products; 27.4% the main solid raw materials (iron ore, coal and grain); 1.5% other dry bulk commodities; with the remaining 37.7% consisting of general loads, plus goods carried on ro-ro cargo ships and container ships. The latter showed a constant tendency to obtain increasingly higher market share: in 2006 cargo transported in containers accounted for 13% of all maritime traffic.



## THE WORLD FLEET

In line with the increase demand for seaborne transport, the world fleet reached its highest level ever in 2007, with an additional increase of 6.9%: based on the statistics of the Lloyd's Register as of 31 December 2007, the size of the world fleet was 774.9 million registered tons, with a carrying capacity of 1.0843 billion tons. There was also an increase of 11.4% in terms of the capacity in twenty feet equivalent unit.

Italy holds 14th place in the ranking of the main national ship registers, as well as among the world's major fleets based on shipowner control.

## WORLDWIDE SHIPBUILDING

At the end of 2007, the world order book for new constructions held 10,055 ships, making for 329.7 million gt (490.4 million dwt), more than five times the number of orders registered in 2000, of which 24% shall be completed by the end of 2008.

The shipyards of South Korea, China and Japan account for 87% of world orders: South Korea remains in the lead, followed by China, which has moved past Japan for the first time.

South Korea ranks first in terms of the construction of oil tankers (206 units for crude oil and 209 for petroleum products, making for more than 45 million dwt), container ships (527 units, for almost 45 million dwt), chemical tankers (534 units, for more than 11.5 million dwt) and gas tankers (185 units, for approximately 12 million dwt). La China is the leader in the construction of bulk carriers (1,162 units, for 85.8 million dwt) and general cargo ships (423 units, for approximately 6 million dwt). Japan lost its leadership in the construction of bulk carriers, despite registering orders for 586 and 47 million dwt, while it is the leading country in terms of the construction of container ships, with orders for 99 units, making for approximately 5 million gt.

Italy falls from seventh to tenth place in the worldwide ranking of shipbuilding countries, and to third place among the countries of the European Union, behind Germany and Romania. It is the world leader in the construction of cruise ships, with 20 units on order (1.7 million gt) and in the construction of mixed passenger/ro-ro cargo ferries, with orders for 24 units (623 thousand gt). Also of note is Germany's position as the leading builder of ro-ro cargo ships, with 13 units, for 334 thousand gt.

## MARITIME MARKETS

In 2007, for the fifth straight year, maritime markets registered extremely positive results, especially for the categories of dry bulk cargo and liquid loads. The economic expansion of China and India continues to influence the development of maritime markets. Massive investments have been made in the construction of new ships, more than half of which are bulk carriers, with the vessels on order, in the case of certain types of ships, being equal in number, or even more numerous than, the fleet in operation. Also to be taken into account is the growing tendency to convert single-hull tankers into bulk carriers, which leads to the problem of saturation of the capacity of repair yards.

### Crude oil and petroleum products

Since January 2007, the price of oil has registered an increase of 93%, almost double the rate of 2006 and four times that of 2003, with the price rising above the 105 dollar a barrel mark. As a result, the cost of the fuel used in marine engines (bunker) has risen significant, to a price of more than \$500 US a ton. In 2007, the demand for oil rose by 1.1% compared to 2006, and the analysts predict that there will be growth of 2% in 2008.

At the end of 2007, the world tanker-ship fleet, at 399.8 million dwt, registered an increase of 6.8% compared to 2006. The demand for transport has a sizeable effect of the supply of tonnage, generating a marked imbalance, on account of the large number of new deliveries (737 units, equal to 36.6 million dwt) and the noteworthy quantity of orders (1,303 units, making for 58.8 million dwt). Roughly two thirds of the ships ordered or under construction shall be delivered by the end of 2009, making for an increase of 6.9% in the tanker-ship fleet.

In 2007 the volume of maritime traffic of oil increased by 2.3%, to a total of 2.423 billion tons transported, of which 1.888 billion tons of crude oil (+2%) and 535 million tons of petroleum products (+3.5%). In terms of ton-miles, the increase for crude oil was 2%, while petroleum products rose by 4.6%. Forecasts for 2008 call for an increase in oil traffic, measured in tons-miles, of 3.3%.

Between the start of 2007 and the month of November, the tanker market registered an average level of charters 10% lower than in 2006, though prices rose sharply in the last two months of the year, to the highest prices registered since December 2004.

### Chemical tankers

With 2.962 vessels for 58,4 million dwt the chemical fleet registered in 2007 an another increase by 15%. The phasing out of single-hull vessels has been quickly compensated for by the massive number of new ships ordered plus some conversion.

The chemical fleet controlled by Italian shipowners ranks fourth among the world's largest fleets with almost 4,5 million dwt.

Globally, 2007 was profitable for most owners even if in the second quarter of the year China and other far eastern countries cut back imports from Europe, mainly due to the high exchange rate between the euro and the dollar, with negative effect on the freight market.

### Gas

In 2007, the fleet of gas tankers for liquefied natural gas (LNG), numbering 257 units, for a capacity of 32.4 million cubic metres, registered an increase of 18% over 2006. At the end of the year, orders for new units at shipyards worldwide totalled 136, for 23.5 million cubic metres.

The fleet of ships used for the transport of liquefied petroleum gas (LPG) rose by 4.7% in 2007, reaching a total of 1,012 units, for a capacity of 15.9 million cubic metres. At the end of 2007, orders had been placed for 196 units worldwide (6.3 million cubic metres).

The ongoing development of maritime traffic of LNG continued, registering another increase in 2007, with a rise of 6.7% compared to 2006, for a total of 170 million tons transported, while traffic in LPG fell by 8%.

### Dry bulk merchandise

In 2007, the bulk-carrier fleet grew by 6.5%, reaching 390.5 million dwt. Orders for the construction of new ships, at 203 million tons, showed an exceptional increase of 115% over 2006, amounting to 51% of the existing fleet, while demolitions were only equal to approximately 0.1 million tons.

In 2007, the amount of dry bulk merchandise transported by sea registered an increase of 6.2% over 2006, largely due to increased steel production in China, which generated increase demand for iron ore and coal. Maritime traffic in iron ore rose from 734 million to 799 million tons; traffic in coal from 754 to 798 million tons; traffic in grains from 325 to 332 million tons.

2007 was an exceptionally good year for dry bulk charters, which nearly tripled between January and November: even though a slight downturn was registered in December, the year as a whole closed at very high levels. According to the experts, the strong demand for tonnage from China will not decrease in the short run, a trend reflected in the large number of orders for new ships.

### Cargo in containers

The world container-ship fleet showed an increase of 13.5%, reaching a capacity of 10.7 million teu by the end of 2007. The world's shipyards hold orders for the construction of 6.5 million teu of new container ships, the equivalent of 61% of the existing fleet.

Container traffic increased by 10.7% during 2007, driven primarily by the sharp increase in the Far East-Europe routes, though lower growth is forecast for 2008, on account of the economic crisis. The large number of newly built ships will have an influence on the future supply of tonnage and, therefore, on the supply/demand balance for container ships. In any event, charters increased constantly during the year, ultimately reaching the same levels registered at the end of 2005.

### Ro-Ro Ships

The positive trend for cargo transported by ro-ro ferries continued in 2007, with new lines opened by both existing operators and new

ones: Europe maintained its central position in this market.

The supply of ro-ro cargo ships was increased by the placement in operation of 10 new units and the entry of 58 orders in the portfolio for new constructions, an area in which Italy maintains its world leadership. The passenger ro-ro sector also shows growth: the fleet increased by 14 units, while other 42, the equivalent of 19.7% of the fleet, are under construction.

#### **Cruise ships**

In 2007, with the delivery of 10 new units, the world cruise ship fleet grew by 6.8%, and forecasts for the next few years point to constant growth of 7-8% a year, with a supply of 400,000 beds being reached by the end of 2010.

The cruise-ship fleet flying the Italian flag ranks fourth among the world's largest fleets and holds first place among the fleets of industrialised countries.

The world cruise market continues its growth, registering an additional increase of 10%, compared to the 15.1 million cruise passengers recorded worldwide in 2006, a number that should rise to 18 million by the end of 2010 and to 20 million by 2015.

### **EUROPEAN NAVIGATION AND THE MARITIME POLICY OF THE UNION**

During the two-year period 2007-2008, the rotating presidency of the European Union was held by Germany and Portugal in 2007, and it shall be the turn of Slovenia and France in 2008.

The key event on the European level was the signing of the new Treaty of the European Union by 27 heads of state in Lisbon on 13 December 2007. The Treaty, which should go into effect by the end of 2009, is focussed on the need to modernise and reform the Union, on the one hand rendering it more democratic, in order to meet the expectations of European citizens, in particular by maintaining elevated levels of responsibility, willingness to move forward, transparency and participation; at the same time, making it more efficient and capable of dealing with the challenges that need to be addressed worldwide, such as climate change, security and sustainable development.

#### **THE FLEET AND THE ROLE OF EUROPE IN WORLD MARITIME TRAFFIC**

The merchant fleet of the European Union continues to play an important role in international shipping, accounting for 41% of the world fleet. The statistics of the Lloyd's Register show that, in 2007, the fleet flying the flags of the EU consisted of 15,787 units, making for 162.265 million gt (217,849 million dwt) and accounting for 20% of the transport capacity of the world fleet (21% in terms of tonnage). For that matter, when the entire fleet controlled by countries of the Union is considered, meaning those flying foreign flags as well, the percentage rises to 41% of the world fleet.

71.2% of the foreign trade of the European Union (1.630 billion tons) is moved by sea. And the percentage rises to 90% when the distance travelled is considered as well, with the figures expressed in ton-kilometres.

With its 268,2 million tons, Italy holds first place in the ranking of European seaborne trade with the other major areas of the world, followed by Spain (223 million tons), the United Kingdom (217 million tons), the Netherlands (196 million tons), France (179 million tons) and Germany (154 million tons).

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

#### **THE NEW INTEGRATED APPROACH TO EUROPEAN MARITIME POLICY: THE BLUE PAPER**

The year 2007 shall be remembered for the massive production of legislation in the maritime sector, laying the ground work needed to move beyond the sector-focussed approach followed to date on the topic and placing particular emphasis on problems tied to climate changes.

10 October 2007 marked the end of the most extensive public con-

sultation in the history of the European Union, a process that lasted a year (from June 2006 to June 2007) and regarded the Green Paper on the future maritime policy of the Union. The European Commission approved a new package of measures consisting of three communications: the "Blue Paper", which illustrates the vision of an integrated maritime policy for the EU; the conclusions of the consultation on the Green Paper; a plan of action that lists and sets a timetable for the concrete initiatives to be undertaken in the different sectors: in accordance with this plan, a series of thematic communications were issued at the start of 2008, illustrating in greater detail the actions that shall hopefully be taken regarding social regulation, cargo logistics, port policy and the Highways of the Sea.

The objectives pursued by the new integrated policy are: encouraging, to the greatest extent possible, the sustainable exploitation of the oceans and the seas; creating a base of knowledge and innovation for maritime policy; achieving the utmost improvement in the quality of life in coastal regions; promoting the guiding role of Europe in international maritime affairs; heightening the visibility of maritime Europe. Of particular importance among the projects regarding the maritime sector are: the creation of a European maritime space without borders; the implementation of a European strategy for marine research; development by the member nations of national integrated maritime policies; development of a European network of maritime surveillance; the formulation of a strategy designed to mitigate the effects of climate change on coastal regions; reduction of CO2 emissions and pollution caused by marine transport; an examination of the exemptions allowed under European Union labour law.

At the end of 2008, a White Paper is to be issued by the European Commission on future maritime policy for 2008-2018.

#### **THE PORT POLICY OF THE EUROPEAN UNION**

Three years following withdrawal of the proposed Directive "De Palacio II", and after the completion of a wide-ranging consultation process during which a number of the departments of the European Commission were engaged in a series of seminars in various port cities of the Union during the years 2006-2007, the Commission issued a communication on European port policy, illustrating the current situation in terms of problems involving ports, but without making concrete legislative proposals.

The Commission stressed the need for an efficient port system capable of handling an expended demand for international transport while taking into account the technological advances brought about by the ongoing development of container transport and the demand for a mode of using ports entailing less pollution. Emphasis was also placed on the need to reduce greenhouse-gas emissions and to establish a continuous dialogue regarding the performance levels and the development of ports between the interested parties inside of the municipalities and regions involved, reconciling the development and management of ports with the principles of transparency and competition, as well as European Community law in general.

To this end, the plan of action calls for:

- increased efficiency and productivity of ports, with improvements in their levels of performance, in the interests of the environment, and with the construction of new plants for connection with the hinterland, plus the upgrading of ports to meet EU standards on waste-collection systems (Directive 2000/59/EC);
- simplification of the procedures for short-sea shipping, in order to reduce, to the greatest extent possible, paper supports for customs and trade, promoting the "electronic" approach (e-maritime e-Freight, for the electronic transport of goods, and e-Customs for electronic customs operations);
- stimulation of EU framework programs of research and innovation, in particular the 7th Framework Program for Infrastructures and Port Activities;
- encouragement of the establishment of a European Committee for dialogue within the sector, as per Decision 98/500/EC, with specific initiatives regarding training, security and on-the-job hygiene.



## MARITIME SECURITY

The European Parliament and the Council of the Union are continuing their examination of the seven legislative proposals of Package III on Maritime Security, approved by the Commission in November of 2005. The acceptance, after an initial analysis, of the opinions of the Parliament on all the proposals marks a major step along the procedure for legislative approval, which entails joint decision making by the Parliament and the Council. Though Parliament succeeded in respecting its commitment to issue a unified opinion on the 7 proposals following an initial analysis, examination by the EU Council recently brought to light the significant doubts harboured by the majority of the member nations with regard to the Community initiative, seeing the emphasis placed on the need to take international action (IMO) and avoid initiatives on the regional level on two proposed directives (the Athens Convention of 2002, the civil and financial liability of the shipowner, plus controls by the nation whose flag is flown).

## HIGHWAYS OF THE SEA

In 2007, the Commission drew up an initial overview of the state of the art in terms of seaborne transport and initiated a public consultation designed to expand the concept of Highways of the Sea within the framework of the development of high quality short-sea shipping, based on three proposals: developing key performance indexes; implementing benchmarking practices with other transport modes; and also giving Highway of the Sea status to existing short-sea shipping routes. The results of the consultation shall be included in the White Paper on maritime transport policy for 2008-2018.

## MARCO POLO II

In line with the two main objectives of Community transport policy, fighting congestion on European roadways and improving the environmental performance of the cargo transport system, the Commission, within the framework of the Marco Polo II program, established under Regulation no.1692/2006 with funding of 450 million euro for the period 2007-2013, has published 2 calls to tender, as allocating for each one annual financial coverage of approximately 57 million euro, which have made possible the co-financing of business initiatives in favour of inter-modal transport. The general objective of the program is to assist businesses in handling the high level of risk connected with the start-up phase of new services or thoroughly modernised ones designed to shift cargo from the road to short-sea shipping, to rail travel or to navigable inland waterways.

## POLICY OF COMPETITION

In September 2007, at the request of the European shipping industry, represented by the ELAA (European Liner Association) and the ECSA (European Community Shipowners' Association), the Commission published the guidelines on application of art. 81 of the EC Treaty to maritime transport services. After the public consultation, which lasted two months, the final text is expected for July 2008, prior to 18 October 2008, the date on which the abrogation of the category exemption goes into effect. The guidelines do not apply to horizontal cooperation agreements (consortiums), seeing that, with Regulations nos. 823/2000 and 661/2005, the Commission extended until 25 April 2010 the general exemption of "consortiums" from the prohibition found under art. 81, paragraph 1 of the Treaty, under certain conditions and obligations.

## REPORT ON THE "CONTRIBUTION OF CRUISE TOURISM TO THE ECONOMIES OF EUROPE"

The second edition of the report on the "European Cruise Contribution" of the European Cruise Council (ECC), presented in February 2008 in Brussels, highlighted a 27% increase in 2006, compared to the preceding year, in direct spending generated by cruise companies, shipyards and passengers, with the total reaching 10.6 billion euro. For each million euro invested, the cruise industry

produced 2.2 million in related turnover, plus 21 jobs providing annual compensation of 33,500 euro.

This growth was also sustained by Europe's worldwide leadership in the field of naval design and construction: the report of the ECC estimates that, in 2006, the cruise industry as a whole invested more than 4.1 billion euro in Europe on the construction and maintenance of cruise ships, and that, by the end of 2006, European shipyards had an order portfolio of 36 new ships, making for a total value of 14.9 billion euro.

The number of people employed in the cruise sector in Europe also rose, totalling approximately 225,600 in 2006: 20% more than the previous year. Cruises also confirmed their role as an important source of incoming tourism for European countries, and for Italy in particular. Between 1995 and 2006, the worldwide demand for this tourist product more than doubled, going from 5.7 million to 15.15 million passengers. During the same period, the number of European citizens who chose to take a cruise vacation more than tripled, going from 1 million to 3.4 million, with the percentage of European cruise passengers out of the world total rising to 23% (10 years ago it was 19%). The ECC report foresees this rapid growth as continuing, with 4.1 million Europeans taking cruises by 2010 and 5.5 million by 2015.

In 2006 more than 3.6 million passengers boarded cruise ships from European ports (+27% compared to the previous year): average per capita spending in the port of departure was 100 euro, with 53 more euro spent at each port of call. Cruise vacationers made a total of 15.2 million transits in European ports (+21% compared to 2005). Italy continued to be the preferred cruise destination in Europe, with 3.4 million passengers moving through its ports, followed by Spain (2.7 million), Greece (2.5 million) and France (1.3 million).

## WORK ONBOARD AND TRAINING MARITIME EMPLOYMENT

With an increase of 10% over 2006, it is estimated that, by the end of 2007, there were 33,530 onboard jobs in the Italian fleet, with 21,330 held by Italian or European sailors and 12,200 by non-EU personnel. Rotating in and out of those jobs are another 40,000 sailors. The ratio between land personnel and onboard personnel is estimated at one to five, meaning that the number of land-based jobs was calculated at approximately 6,700 units at the end of 2007.

## NATIONAL PROBLEMS

In the early months of 2007, Confitarma was engaged in negotiations for the renewal of the collective bargaining contracts in a number of sectors, efforts that faced a number of objective difficulties, especially in the towing sector.

The validity of the policy of concerted action, which, for a good many years, has been a distinctive feature of industrial relations in the maritime sector, results in immediate agreement on the most significant topics for discussion, such as professional training, the start-up of supplementary social security plans and the expansion of insurance coverage for sailors.

The renewal agreement, signed on 5 June 2007, calls for:

- (economic portion) pay increases to be subdivided into two portions, taking effect from 1 June 2007 and 1 January 2008;
- (professional training) the establishment of a Joint National Committee on maritime Employment, assigned the task of promoting initiatives regarding training;
- (enrolment contracts) the enrolment contract for set periods has been restored, designed primarily for use with personnel taken from the seasonal lists and the general shift. The period of embarkation is reduced from 5 to 4 months;
- (hydrofoils, rapid craft, HSC and connections with the smaller islands) the parties agree to make a joint effort to obtain eased social-security terms for these types of vessels, similar to those provided for ships entered in the International Register. The parties also acknowledge that an effort must be made to find contractual solutions better suited to the distinguishing characteristics of the sector;

- (insurance protection) insurance is introduced for cases of natural death onboard or claims not covered by the deductible;
- (tele-medicine) the parties agree to develop tele-medicine, eventually through the establishment of a mixed joint commission on the issue.

With regard to application of Legislative Decree no. 108 of 2005 on the working hours of personnel at sea, and in particular on the exemptions to the stipulated limits for brief voyages, the pertinent ministries (Labour and Transportation) have not yet expressed their positions. In terms of the decrees of implementation of Presidential Decree no. 231 of 18 April 2006, which reforms maritime job placement, the ministerial decree governing the simultaneous obligatory notifications to the placement offices for seagoing personnel, as per Art. 11 of the aforementioned presidential decree, was issued on the date of 24 January 2008. Confitarma immediately pointed to the need, in the case of maritime transport, for modes of notification other than simultaneous communication. It was further requested that notification be regulated in accordance with the procedures already stipulated for agencies of supply, meaning that it be possible within the 20th day of the month following the month of reference, with the additional request of a delay in the implementation of the obligatory on-line transmissions, so as to make possible approval of a legislative measure able to modify the procedures for the sending of the notifications. On the date of 31 March 2008, the Ministry of Labour signed a decree postponing from 1 April to 1 August the enactment of the measures on on-line notifications.

Particular attention must be focussed on the subsequent phases of the enactment of the new regulations on maritime job placement, in particular as regards the registry of seagoing personnel, the maritime labour exchange, the organisations authorised to serve as intermediaries of maritime labour and the professional profiles of maritime personnel. Within the Commission on Industrial Relations, a workgroup has been established to examine Presidential Decree no. 231 of 2006 and to follow developments regarding the decrees of implementation. A Joint National Committee on Maritime Employment was established on 13 November 2007, with its objectives including the promotion of initiatives able to gradually attract young people to maritime work once again. A particular focus of the training should be responding to the growing shortage of officers and upgrading the knowledge of maritime personnel with regard to technological and regulatory innovations involving, among other areas, security and safety. The Committee shall also serve as a control centre, so as to avoid the dispersion of resources and make it possible to carry out all the initiatives under a general strategic orientation. This calls for a commitment on the part of the shipowning enterprises, with regard, for example, to the embarkation of officer trainees, in order to avoid a situation in which an increase in the supply of trained sailors is not matched by adequate demand.

With regard to on-the-job health and safety, the Government has received a legislative mandate to restructure and reform the legislation on the topic. During meetings held at the Ministry of Labour, Confitarma brought it to the attention of the pertinent ministries that the maritime transport sector needs to continue to be regulated under specific measures, something legislators had already arranged for with Legislative Decrees nos. 271 and 272 of 1999. The owners' position is also the subject of a "joint notification" signed together with the national secretariats of Filt/Cgil, Fit/Cisl and Uiltrasporti, in which the parties reiterate that the measures to be issued under the Consolidated Text on On-the-Job Safety should be applied to the maritime sector in light of the contents of Legislative Decree no. 271, and that this same decree should be revised within no more than 12 months of approval of the Consolidated Text cited above. This would be done, in part, to guarantee more effective coordination between the international, community and national sources that govern the question of safety onboard ships.

As regards the determination of the commissioning tables, of note was the decision handed down by the Regional Administrative Court of Liguria on an appeal brought by a shipowning enterprises

against the Ministry of Infrastructure and transportation, asking for nullification of the department decrees that set the minimum safety tables for fifteen ships belonging to the company in question. The Regional Administrative Court both confirmed that the Ministry is entitled to set the commissioning tables on an administrative basis, as an alternative to their negotiated determination under collective-bargaining labour contracts, and it clarified that use of the provisional tables by the Harbourmasters' Office constitutes only one phase in a larger process, meaning that it cannot, under any circumstances, have lasting legal effects. What is more, the TAR ruled that, inasmuch as the proceeding was based on a petition from one of the parties, the formulation of a negative ruling must be preceded by notification of the reasons that prevent acceptance of the petition, in order to establish the framework within which the administration and the interested party present their arguments regarding the proceeding: in other words, the shipowning company cannot be denied the possibility of illustrating the grounds for its position as the decision concluding the procedure draws near. At almost the same time as the Regional Administrative Court of Liguria handed down its ruling, the Ministry of Transportation initiated a public procedure of consultation, for the purpose of simplifying and rationalising the administrative activities connected with the formulation of the commissioning tables.

### INTERNATIONAL PROBLEMS

In 2007, the Maritime Safety Committee (MSC) of the IMO (International Maritime Organization) updated the list of countries that have demonstrated their full and complete compliance with the provisions of the convention on the rules governing seamen's training, certification and watchkeeping (STCW). Unfortunately Italy is the only industrialised country with a major maritime transport sector not to appear on this list, a situation reflecting a state of things in which, on almost a daily basis, young people seeking to find employment on the sea are faced with endless difficulties, finding themselves obliged to cope with a maze of rules and regulations which even the local maritime authorities are not exactly sure how to apply. The institutions of the European Community have also initiated an infraction procedure against Italy, due to the fact that it has failed to transpose into its national legislation the Community directive setting the minimum training requirements for seamen.

The above situation leaves Italian shipowning companies exposed to discriminatory practices on the occasion of onboard inspections of ships carried out by the authorities of the state of destination, seeing that the vessels and countries that fail to comply with the international regulations are subject to scrupulous controls that slow down commercial operations.

In November of 2007, the ECSA (European Community Shipowners' Associations) and the ETF (European Transport Federation) drew up the text of the MLC 2006 agreement (MLC Social Partners Agreement) on application of the Maritime Labour Convention approved by the ILO (International Labour Organization) in 2006. Once it is approved by the European Commission, the MLC 2006 Agreement shall be sent to the Council of the European Union, together with a proposal for a Community directive on its implementation in the member nations.

### PROFESSIONAL TRAINING

With regard to professional training, it should be noted that the continuous reforms implemented in recent years have not had a positive effect on the system of public instruction. For instance, in the final document on the proceedings of the Ministerial Commission for the Reorganisation of Professional and Technical Institutes, the proposed guidelines do not include a specific set for the nautical-maritime sector, whereas what is needed, as part of the reorganisation of educational strategies being carried out by the Ministry of Education, are guidelines for instruction that respond to the needs of the shipping industry.



The initiatives taken by Confitarma in recent years reflect the deeply held interest in professional training on the part of Italian shipowners. The technologically advanced ships that now constitute the majority of the national fleet call for increasingly qualified, knowledgeable personnel. During 2007 the professional training initiatives already undertaken by Confitarma, and not only for seamen, but for land-based personnel as well, were reinforced even further.

The Italian Merchant Marine Academy has reached its third year of operation, and the initiative, strongly promoted by Confitarma and the Province of Genoa, under the auspices of the Ministries of Education and Transportation, have met with unquestionable success. Following the selection process held in September 2007 for admission, to the Academy of 60 deck officer and 40 engine-room officer candidates, there have been numerous applications, especially for training as deck officers, while the number of aspirant engine-room officers is lower, as has been demonstrated statistically. At present roughly 300 cadets from all the regions of Italy, with a particularly large percentage from the south, are following the academic program. In April 2008, exams are scheduled for an initial group of approximately 40 first-year students, so that they can earn the title of navigation officer or engine-room officer. This is possible because a decree signed by the Minister of Transportation on 30 November 2007 stipulates that, in order to obtain the certification of qualification to serve as an officer, the candidate need only have carried out 12 months of navigation while receiving training in the tasks and duties of an officer.

The Academy of Venice also began developing its first training courses, for 17 deck officer cadets, during 2007. After a period of instruction in which they attend the Academy's courses and engage in its "basic training", the cadets are assigned to the vessels of a number of major shipping companies belonging to the Confitarma. In the future, the Academy shall also focus attention on the training of cadets for the qualified positions found on specialised units (gas, chemical and petroleum-product tankers). Consideration is also being given to the possibility of holding courses for certain non-commissioned officer qualifications, such as electrician, gas and tank expert for tanker ships and courses for pleasure-boat officers. In collaboration with the ANPAN (National Association of Naval Suppliers and Contractors), a *Hotellerie* school has been created in Naples. Recognised by the Campania Region, it has already held 3 courses for mess cooks, to which courses for tour escorts, hostesses/stewards and service supervisors have been added.

Following the signing of a working agreement, in May of 2007, between Confitarma, the Parthenope University of Naples and the General Harbourmasters' Command, the first academic year of a course of study leading to a 1st-level degree in nautical sciences was started in November 2007, with the objective being to train onboard officer who – based on experience gained at sea, as well as their university studies – can find employment in the land-based structures of the different navigation companies. The 20 students registered for the first year shall complete their courses in May of 2008 and then begin, in June, a period of four months at sea, so that, when they receive their degrees, the students will be able to pass the watch officer test. Also held during 2007, as part of the "Campania Campus Project", for 16 candidates for 1st-level degrees in nautical sciences who had reached the end of their third academic year, was an onboard apprenticeship of approximately three months, with the students given the title of university training cadets, while 4 other students carried out apprenticeships in the offices of shipping companies.

The attention paid by the Italian shipping industry to the problem of procuring increasingly qualified, well trained personnel, and especially for officer positions, is focussed primarily on Italian personnel. This is demonstrated by the fact that the Academy of the Sea in Genoa has initiated, together with Confitarma, a study on the possibility of opening facilities in the town of Torre del Greco, as well as in other sea-side cities, in this way moving from a local planning approach to a

more systematic strategy for the entire national territory.

Finally, through the Italian Maritime Academy of Manila, Confitarma, in collaboration with Rina, is promoting the training of foreign seamen in accordance with the standards required by the Italian shipping industry.

## **MARINE ENVIRONMENT AND SAFETY OF NAVIGATION**

### **CARBON DIOXIDE EMISSIONS**

The topic of emissions in the atmosphere remains extremely relevant; the attention of legislators, initially focussed on sulphur and nitrogen oxides (SO<sub>x</sub> and NO<sub>x</sub>), has now shifted to carbon dioxide (CO<sub>2</sub>).

Transportation is the sector that has not yet been given asset of regulations governing policies for the control of greenhouse gases, which is what the European Commission appears to be planning on doing as soon as possible: back in December of 2006, presentation was made of a proposed directive of the European Parliament and Council; the measure, which modifies Directive 2003/87/EC, inserts air-transport activities in the Community system for the exchange of greenhouse-gas emissions quotas.

In the case of maritime transport, arriving at an equitable estimate of the emissions of CO<sub>2</sub> proves to be an especially complex exercise, given the different types of ships involved, as well as the wide range of qualities and quantities of cargo transported. With this in mind, special indexes have been drawn up to evaluate emissions on the basis of the type of cargo transported and the nautical miles travelled.

Using the index established by the IMO (which offer a greater degree of flexibility than the others), RINA S.p.A promoted a monitoring initiative in 2008, with the objective being to obtain experience prior to the introduction of regulations on the international level.

In January of 2008, Confitarma's Commission on the Technical Management of Vessels organised a convention on this topic: "Energy Efficiency and the Reduction of Emissions from Ships".

The increased cost of fuel, as well as the growing importance that must be placed on safeguarding the environment, are necessarily the subject of noteworthy attention on the part of Shipowners. During the convention, presentations were made illustrating the current and forecast regulatory framework, the preventive technical operations to be performed on new ships, along with the upgrading work to be carried out on existing ones (hydrodynamics, propulsion systems, maintenance), plus whatever operating initiatives (involving organisation and conduct) represent the best possible response to the need to save energy and reduce emissions.

### **DIRECTIVE 2005/35/EC**

Directive 2005/35/EC of the European Parliament and Council, dated 7 September 2005 and regarding pollution of the sea caused by ships, as well as the introduction of sanctions for violations, was transposed into Italian law under Legislative Decree no 202 of 9 November 2007. The measure stipulates, among other things, administrative and criminal penalties for those who pollute with malicious intent or out of negligence. In reality, such conduct was already subject to punishment under Law no. 979 of 31 December 1982. The decree also calls for abrogation of articles 16, 17, paragraph one, and 20 of the aforementioned law, in this way resolving the problematic discrepancy between Law no. 979 of 1982 and the MARPOL, which, in years past, had created numerous problems for vessels flying the Italian flag and operating in accordance with the Marpol Convention 73/78.

### **MEMORANDUM OF PARIS**

During the 39th session of the Paris MoU Port State Control Committee (PSCC), held in Nantes from 9 to 12 May 2006, significant progress was made in the formulation of the new criteria for the performance of inspections (NIR – New Inspection Regime / New Information System).

The combination of a good ship/good management/a good flag

shall prove indispensable in responding to the approach taken under the new system; seen in this light, the Italian shipping industry, by continuing its renewal and improving its operating structures, stands only to benefit from the change, at the expense of competitors that fail to meet these standards.

A look at the most recent results shows that only 9 ships were detained as a result of the 430 inspections carried out in 2007: a further improvement by ships flying the Italian flag, compared to 2006.

### **DISCHARGE OF LIQUID WASTE (ANNEX IV TO THE MARPOL CONVENTION)**

The discharging of liquid waste (sewage) into the sea is regulated by Annex IV to the Marpol Convention 73/78. This measure contains a series of rules on the discharge of liquid waste into the sea, processing equipment and devices for the control of such discharges, as well as the installation on land of structures to receive such liquid wastes, plus the prerequisites for inspections and certification. The Annex went into effect on 27 September 2003, while one of its revisions was enacted on 1 August 2005.

The revised annex will apply to new ships engaged in international navigation and presenting tonnage greater than or equal to 400 GT or certified for the transport of more than 15 people. Existing vessels must satisfy the revised annex within five of when it went into effect, meaning 1 January 2010.

### **PREVENTION OF AIR POLLUTION BY SHIPS (ANNEX VI TO THE MARPOL CONVENTION)**

In July of 2005, during a meeting of the MEPC (Marine Environment Protection Committee), it was decided to proceed with the revision of Annex VI to the Marpol Convention 73/78, with the task assigned to a workgroup, together with two "Correspondence Groups".

The MEPC 57 was held in London from 31 March to 4 April 2008.

A revision of Annex VI to the MARPOL convention 73/78 was approved, and it shall be formally enacted at the MEPC 58 (October 2008), going into effect in March of 2010.

The revision sets new levels for emissions of sulphur oxides, in addition to modifying the Technical Code on the nitrogen oxides produced by the engine units and generator groups of ships.

### **THE 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, within the framework of a policy that optimises maritime transport, representing and defending the interests of both the industry as a whole and the individual domestic shipping enterprise in dealings with political and administrative authorities, as well as with economic, political or social organisations, or with labour unions, entering into agreements involving labour practices or economic issues, in addition to collective bargaining agreements; representing and defending the interests of members with regard to labour and economic question of general or specific interest; providing members with information and consulting on regulatory, economic and social issues of either national or international interest

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 Italian Promotion Office and of the IDC – Italian Distribution Council – plus the National Logistics Agency.

Internationally it belongs to and collaborates with:

- ECSA – European Community Shipowners' Associations
- ICS – International Chamber of Shipping
- ISF – International Shipping Federation
- BIMCO – Baltic and International Maritime Council
- 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**

The Young Shipowners group was founded in 1995, in implementation of the Confederation By-Laws and with the following objectives:

- Promote 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 counts more than 60 members representing approximately 50 companies, including shipowners and the children of shipowners, plus management personnel and staff members directly involved in the business sectors represented by CONFITARMA.

The 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 members of the Management Council attend the meetings of the advisory committees, which contribute to the development of the main themes of the shipping industry and the maritime system. The young Shipowners play an active role in the workgroups of the ECSA. In the first half of 2007, the activities of the Young Shipowners focussed on the organisation, enactment and follow-up of the trip to China. The second half of the year moved forward with the reappointment of Giuseppe Mauro Rizzo as the President of the group for the two-year period (2007-2009), guaranteeing continuity with the previous term. The Steering Council was also reappointed nearly in its entirety, with exception of the selection of Gabriele Rosati d'Amico as Vice President and the addition to the Committee of Francesca Romana Barbaro. It should also be noted that a lot of young shipowners joined the group during the year.

The main initiatives carried out by the Young Shipowners in 2007 are described below.

The trip to China took place between 24 February and 8 March, with sizeable participation on the part of the young Shipowners. In the three cities that the group travelled to Hong Kong, Shanghai and Beijing, it visited China's two main state shipyards, located in the Shanghai area, as well as the port and the Vessel Traffic Center of Hong Kong and the port of Tianjin, and it was received by the China's most important maritime authorities (the Port Authorities of Hong Kong and Tianjin, the Chinese Ministry of Transportation, the shipowner's associations of Hong Kong and China, plus shipowning enterprises, including COSCO and the China Classification Society), as well as the Italian institutional and economic representatives stationed in the country (the Ambassador, the Consul Generals in Hong Kong and Shanghai, the ICE, Banca Intesa, Capitalia and San Paolo).



*In the month of March, President Giuseppe Mauro Rizzo was assigned by President Nicola Coccia to take part in Italian Prime Minister Romano Prodi's trip to South Korea, an initiative that gave him the opportunity to further strengthen the institutional relations established with the most important Asiatic authorities and organisations on the occasion of the trip to China. As a result of this encounter, the Italian Ambassador to Seoul also requested that Confitarma support a number of cultural initiatives.*

*As part of the initiative 48 Hours of the Sea, organised by Confitarma at the Maritime Station of Naples on 10 and 11 May, the Young Shipowner's returned to the topic of generational renewal in family enterprises, with an ad hoc session whose participants included Prof. Guido Corbetta, Dean of Faculty at the Bocconi University of Milan, Vittorio Volpi, president of UBS Italia, and the General Director of the AIDAF, Giocchino Attanzio.*

*The Young Shipowners also established a working relationship with the Young Coast Guard, taking part in their first convention, which was held in Rome on 22 June 2007. On this occasion, Giuseppe Mauro Rizzo and Franco Napp, invited to the event as speakers, presented a commemorative plaque to Admiral Luciano Dassatti, who will be passing on command of the Harbourmasters' Offices to Admiral Raimondo Pollastrini.*

*The organisation of an October workshop in Capri, with the participation of Professor J.M. Manimala of the University of Bangalore and Binit Patel, an expert in economics with the investment bank Goldman Sachs, marked the first step in preparations for a second trip abroad by the Young Shipowners: a visit by a delegation of the group to India in the early months of 2008. Demonstrating the close working relationship in place with the Young Business Owners of the Confindustria, their President, Matteo Colaninno, was on hand for the event in Capri.*

*Preparations for the trip to India continued at the General Meeting of December, where a second training session was held, in the form of a workshop on the leading international shipping markets, with the participation of some of the world's leading brokers/analysts (SSY, Bancosta, Howe Robinson), who looked at the liquid cargo, dry cargo and container markets, with an emphasis on the prospects for the Indian market.*

*The year 2008 started off with a brief visit to London, the capital of world shipping, where a delegation of the Young Shipowners visited the offices of Lloyd's and the Baltic Exchange. The Steering Council also made the trip, being hosted by a leading English P&I Club, which gave it the opportunity to prepare the activities for the coming months.*

*On the calendar for the months of April and May 2008 was the trip to India and the Arab Emirates, in which a sizeable group from the Young Shipowners took part. Upon returning from the trip, preparations were begun for the second annual "48 Hours of the Sea" event, for which the group will be organising the concluding session.*





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