

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

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SUBSIDIES

Notifications of Contracting Parties

Addendum

ITALY

Notification of 5 October 1961

By letter of 5 October 1961 the Government of Italy has transmitted to the secretariat a notification on subsidies in Italy.

NOTIFICATION OF 5 OCTOBER 1961

The present notification contains information on subsidies (as requested by the GATT questionnaire in document L/1315 of 12 October 1960) further to the information already furnished on earlier occasions pursuant to Article XVI of the General Agreement.

A. Indirect assistance to exports of Agricultural products

Exports of agricultural products are granted reduced freight rates for carriage by rail over national systems.

Nature and extent of the assistance

The relevant regulations and tariffs for the carriage of goods on State railway systems provide the following facilities:

- Special Tariff No. 251: exports over land

This tariff provides for a reduction of the ordinary tariff, varying from 10 to 30 per cent according to the nature of the goods and the distance covered.

- Special Tariff No. 252: exports by sea

This tariff provides for a reduction of the ordinary freight rates by 10 per cent for distances not exceeding 200 km. and 15 per cent for distances exceeding 200 km.

Purpose of assistance

The institution and maintenance of a sliding scale of reductions according to the distance covered are justified by the geographical characteristics of the country, for production centres of many export products (citrus fruit, grapes, etc.) are at a considerable distance from the frontier transit point.

Such reductions are part of the government's present policy for developing employment and resources in the less-developed areas.

Amount of assistance

No precise indication can be given as to the total amount of the reductions granted to exports of the products concerned, since it varies according to the quantity actually exported (as an approximate indication, it is in the region of 1,500 million lire).

Effect of assistance

The reductions at present granted for exported agricultural products are limited in effect since the freight costs within national territory generally amount to a very small percentage (10 to 18 per cent) of the total freight costs incurred for delivery to consumer markets abroad.

In practice, the assistance in question represents an average of 1 per cent of the delivery price of the exported product.

B. Incentive measures for the shipbuilding industryNature of the subsidy and legal authority

The assistance and subsidies granted to the shipbuilding industry and the shipping business are those provided under Law No. 522 of 17 July 1954, as recently supplemented and amended by Law No. 301 of 31 March 1961.

In addition, Law No. 622 of 24 July 1959 announces incentive measures for the national economy and in Chapter X sets forth provisions to encourage the breaking-up of outdated and uneconomic ships and their replacement by new and up-to-date vessels which can be operated more profitably.

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Law No. 522 of 17 July 1954 as modified and supplemented by Law No. 301 of 31 March 1961

Purpose of assistance

The purpose of Law No. 522 was to enable Italian shipyards to function in the same conditions as foreign shipyards by overcoming the unfavourable factors which burden our production costs; through a series of special grants it is hoped to place the Italian shipyards in a position where they can quote prices not too far removed from those quoted by foreign competitors.

The facilities granted were provided in articles 5, 6, 7 and 8 of that law.

On the basis of the system established by Law No. 522, however, all grants were to be progressively reduced in amount by about 10 per cent per annum so as to be virtually non-existent by the last year of application of the law - i.e. the financial year 1963/65 - on the assumption that by that time Italian shipyards would have brought their costs into line with those of foreign undertakings.

This assumption has, however, not proved correct because of the grave world crisis in the shipbuilding sector which has seriously affected Italian shipyards, on account of the marginal position which they occupy in the

international market making them particularly sensitive to the fluctuations characteristic of world demand for shipping. In these circumstances, the abovementioned provisions of the law would have made it ineffectual for its prime purpose - namely, to restore the shipyards to a sound position.

The provisions of Law No. 522 therefore had to be revised both in order to adjust the grants to a level consistent with the new market requirements and also on account of social considerations, since any manpower reductions caused by a shortage of orders might have seriously aggravated the unemployment situation in Italy which was already a matter for concern.

Accordingly, Law No. 301 of 31 March 1961 was enacted; it modifies and supplements Law No. 522, and in particular provides for:

1. a blocking of grants at the level prevailing on 1 January 1957 pursuant to Law No. 522 referred to above;
2. periodic variations in the unit value of grants according to the volume of orders actually received by shipyards, having regard to the total amount of appropriations, in order to encourage the shipyards to take appropriate steps to reduce their own costs and adapt productive capacity to the absorption opportunities existing on the markets;
3. maintenance of the expiry date of the law at 30 June 1964.

Amount of assistance

Pursuant to Laws No. 859 of 25 July 1956, No. 328 of 24 March 1958 and No. 301 of 31 March 1961, the appropriations for the coming financial years are as follows:

1961/62	14,000 million lire
1962/63	"
1963/64	"
1964/65	"
1965/66	4,000 million lire

It should, however, be emphasized that in practice only the 23,000 million lire for which provision is made in Law No. 301 is available, since the amounts appropriated under the earlier laws are already nearly all obligated.

No precise estimate can be given as to the amount of the grants made under the law since this depends on the technical characteristics of the merchant vessels to be constructed.

Effect of assistance

The system of subsidies adopted cannot adversely affect international trade since it is a stabilizing mechanism for the purpose of compensating the effects of a temporary crisis and is moreover to be varied in so as to encourage shipyards to reduce their own costs.

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Law No. 622 of 24 July 1959

Purpose of assistance

These provisions were adopted having regard to the fact that the continuing crisis on the freight market had obliged, and is still obliging, shippers to lay up their older and less economic vessels which could not compete with up-to-date and more rapid craft with a greater freight capacity. Government intervention was necessary in order to encourage shippers to do away with outdated vessels and build new merchant craft of good quality so as to encourage renewal of the merchant fleet in accordance with the policy of productive investment constantly followed by the Italian Government. This provision, however, is to the sole advantage of shippers.

Amount of assistance

In order to achieve these objectives, Law No. 622 provides for payment of an outright grant to ship-owners who break up metal-hulled merchant vessels for dry or liquid cargo which were built before 1945, and build new merchant vessels of good quality with a gross displacement tonnage equivalent to 75 per cent of the tonnage broken up.

The total amount of the appropriation in execution of this law is 10,000 million lire to be used within two years of the entry into force of that law.

Since the entry into force of the law these provisions have resulted or will result in the breaking up of forty old ships with a total gross displacement tonnage of 218,542 tons, and the construction of thirteen new ships for dry and liquid cargo with a total gross displacement tonnage of 187,976 tons.

Effect of assistance

The system of subsidies for the benefit of ship-owners as described above has a positive effect on international trade since it makes it possible to do away with outdated and uneconomic vessels and to reduce

the number of ships laid up. Moreover, it encourages the commissioning of new vessels, and this is also to the advantage of foreign shipyards since the law does not stipulate that the new ships must be built in Italian yards.

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In view of the fluctuating nature of shipbuilding in individual years (the subsidies are granted individually within the limits of budget appropriations according to the work done) neither statistics for the three most recent years nor data relating to a "representative year" would give any precise indication.

