

# PEER REVIEW OF THE ITALIAN SHIPBUILDING INDUSTRY

Q1 2024



### ***Foreword***

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## 1. Executive summary

The Italian shipbuilding industry was responsible for 36% of the world's cruise ships in 2022. With a strong supply chain involving local enterprises, the Italian shipbuilding industry has maintained an advanced position in shipbuilding technology, enabling it to support the domestic economy and employment.

Whereas in the past Italy's shipbuilding industry was known for the wide range of types of ships, the rise of East Asian countries led to a decline in its global market share in the 20th century, making the industry shift to a more specialized production of complex ship types, especially cruise ships.

In addition to increased competition, Italy has recently faced various economic challenges which affected the shipbuilding industry such as low economic growth following the 2008 financial crisis and the COVID-19 pandemic. Italian shipbuilders have responded to these challenges with agility and continued to expand their activities.

Fincantieri is the largest shipbuilder in Italy, and one of the most important cruise shipbuilders in the world. It has built more than 90% of the ships on a CGT basis in Italy in 2022. Most of Fincantieri's shares are held by a subsidiary of Cassa Depositi e Prestiti S.p.A. (CDP), which is a prominent Italian investment bank founded in 1850 with 82.77% of the share capital owned by the Italian Ministry of Economy and Finance, the 15.93% held by various banking foundations and the remaining 1.30% by CDP itself with its own shares.

Italy's high dependence on cruise and passenger ships may also represent a risk. When the demand for cruise and passenger shipbuilding falls due to external factors, the Italian shipbuilding industry can suffer a shock as was the case in 2020 and 2021 during the COVID-19 pandemic. In addition, the construction of cruise and passenger ships by other growing economies could be a threat to the industry.

In addition to the EU actions for the shipbuilding industry, the Italian government has attempted to lead the industry towards sustainable growth such as innovation and decarbonization in the maritime sector, under Ministerial decree n. 196 and the Green Shipping Ministerial Decree. The government has been minimizing its market interventions not only in accordance with the WTO and EU rules but also making an effort to improve transparency on government support by obliging companies to publish the amounts they obtained from Italian authorities in the preceding year.

## 2. Introduction

In 2012, the OECD's Council Working Party on Shipbuilding (WP6), which became on the 1<sup>st</sup> of January 2024 the OECD Shipbuilding Committee, introduced a peer review process focused on support measures provided by governments to their shipbuilding sectors. Under this process, each economy participating in the Shipbuilding Committee undergoes an in-depth study of its shipbuilding industry and related government measures. Non- Shipbuilding Committee economies may join the process and can also be the subject of a Shipbuilding Committee review.

The main goal of the peer review process is to identify government policies, practices and measures affecting the shipbuilding sector and to support the discussion of these measures within the Shipbuilding Committee. The analysis of the support measures is accompanied by contextual details of the industry to enable a discussion of shipbuilding policies and their impact. A key element of the process is the active debate and discussion of peer review drafts by Shipbuilding Committee participants, with a view to promoting transparency and sharing experiences.

Italy, together with Croatia, Denmark, Poland, and Romania, is subject to a Shipbuilding Committee peer review in 2023, following the reviews of Japan (2012), Portugal (2013), Korea (2014), Germany (2015), Norway (2016), Finland (2017), the Netherlands (2019) and Republic of Türkiye (2021). In 2018, the Shipbuilding Committee decided to conduct an ad hoc review of the shipbuilding sectors in selected non-Shipbuilding Committee members, including the People's Republic of China (hereafter 'China'), Indonesia, Malaysia, the Philippines, Singapore, Chinese Taipei and Viet Nam. In 2020, the Secretariat also prepared a report on China's shipbuilding industry and policies affecting it.

The information in this report is based on publicly available information, statistical series available to the Secretariat, Italy's response to the peer review questionnaire, and discussions with government officials and stakeholders during the Secretariat's mission to Italy (15-6 June 2023). The Secretariat expresses its special gratitude to the government and industry stakeholders who participated in the review and especially the successful mission to Italy.

The analysis focuses on the shipbuilding industry but also provides information on the marine equipment sector, and repair and conversion facilities. The report includes five substantive parts: global perspectives, an overview of the Italian shipbuilding industry, structure of the industry, analysis and finally policies affecting the shipbuilding and marine equipment industry.

### 3. Global perspectives

In 2022, the EU produced about 9% of the world's selected vessels in CGT terms (Table 1), increasing from 7% in 2021 and 6.3% in 2020 (Figure 1). The EU shipbuilding industry was affected by the large impact of the COVID-19 pandemic, with its ship completions decreasing from 27% in 2020 (Figure 2).

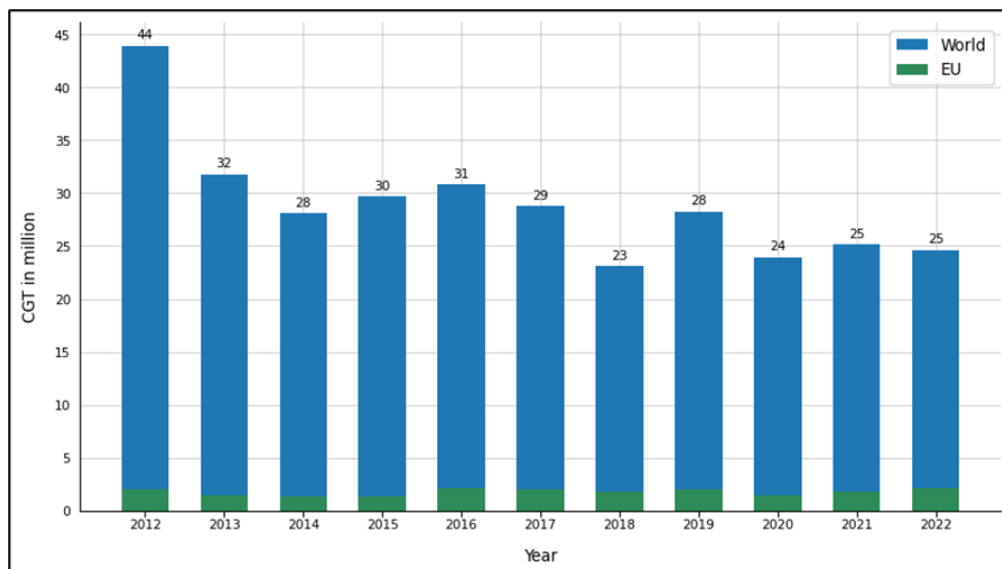
Like many other countries, Italy was hit hard by the 2008 financial crisis. The crisis led to a contraction of the Italian economy, resulting in negative GDP growth in the following years followed by a period of slow growth.

In addition, the COVID-19 pandemic, which started in early 2020, had a severe impact on the Italian economy. The country faced a significant fall in GDP due to lockdowns, disruptions to businesses, and reduced economic activity, with its real GDP decreasing by 9.0% in 2020<sup>1</sup>.

In 2021, the Italian economy recovered, with its real GDP increasing by 7.0%. From 2021, however, the Italian economy has been affected by the Russia's war of aggression against Ukraine, which contributed to an energy crisis and high inflation. Real GDP in 2022 was 3.8%, and the Italian economy is expected to grow modestly in 2023 and 2024 according to the OECD Economic outlook.

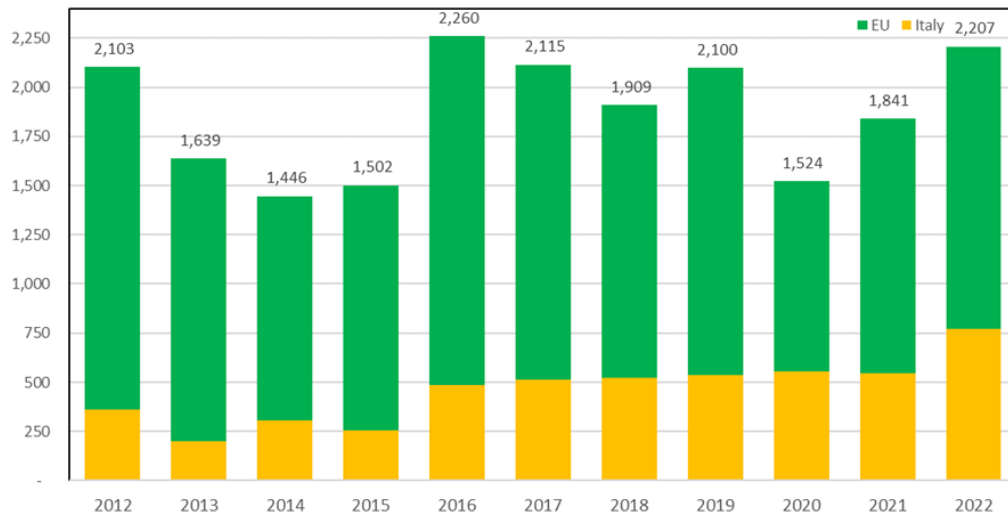
Italy, accounts for about 35%, 30% and 37% of the EU's CGT production in 2022, 2021 and 2020, respectively (Figure 2). Contrary to the rest of the EU, Italy did not experience a fall in ship completions in 2020, although the number of new orders received by Italian yards decreased.

**Figure 1. Completions of selected seagoing vessels worldwide and in the European Union in terms of CGT, 2012-2022**



Note: This figure includes all seagoing vessels, presented in Table 1, from 100 GT.

Source: OECD calculations based on Clarkson Research Services Limited (July 2023), *World Fleet Register*, <https://www.clarksons.net/wfr>

**Figure 2. Completions of selected seagoing vessels in the European Union and Italy in terms of CGT, 2012-2022**

Note: This figure includes all seagoing vessels, presented in Table 1, from 100 GT.

Source: OECD calculations based on Clarkson Research Services Limited (July 2023), *World Fleet Register*, <https://www.clarksons.net/wfr>

**Table 1. Completions of selected seagoing vessels above 100 GT by ship type in the world, the European Union and Italy, 2012-2022**

| Ship type           | World       | European Union |            | Italy       |            |         |
|---------------------|-------------|----------------|------------|-------------|------------|---------|
|                     | CGT ('000s) | CGT ('000s)    | % of World | CGT ('000s) | % of World | % of EU |
| <b>Ferries</b>      | 9 941       | 1 534          | 15.43%     | 226         | 2.27%      | 14.73%  |
| <b>Cruise ships</b> | 12 976      | 11 918         | 91.85%     | 4 680       | 36.07%     | 39.27%  |
| <b>Tankers</b>      | 121 123     | 1 641          | 1.35%      | 17          | 0.01%      | 1.04%   |
| <b>Bulkers</b>      | 125 157     | 368            | 0.29%      | -           | -          | -       |
| <b>PCC</b>          | 6 001       | 129            | 2.15%      | -           | -          | -       |
| <b>Dredgers</b>     | 2 356       | 864            | 36.68%     | 14          | 0.59%      | 1.62%   |
| <b>Cargo</b>        | 9 899       | 440            | 4.45%      | 3           | 0.03%      | 0.68%   |
| <b>Offshore</b>     | 24 061      | 1 698          | 7.06%      | 70          | 0.29%      | 4.12%   |
| <b>Ro-ro</b>        | 3 638       | 539            | 14.81%     | 54          | 1.48%      | 10.02%  |

Note: This table includes all seagoing vessels from 100 GT.

Source: OECD calculations based on Clarkson Research Services Limited (July 2023), *World Fleet Register*, <https://www.clarksons.net/wfr>

## 4. Structure and characteristics of the Italian marine industry

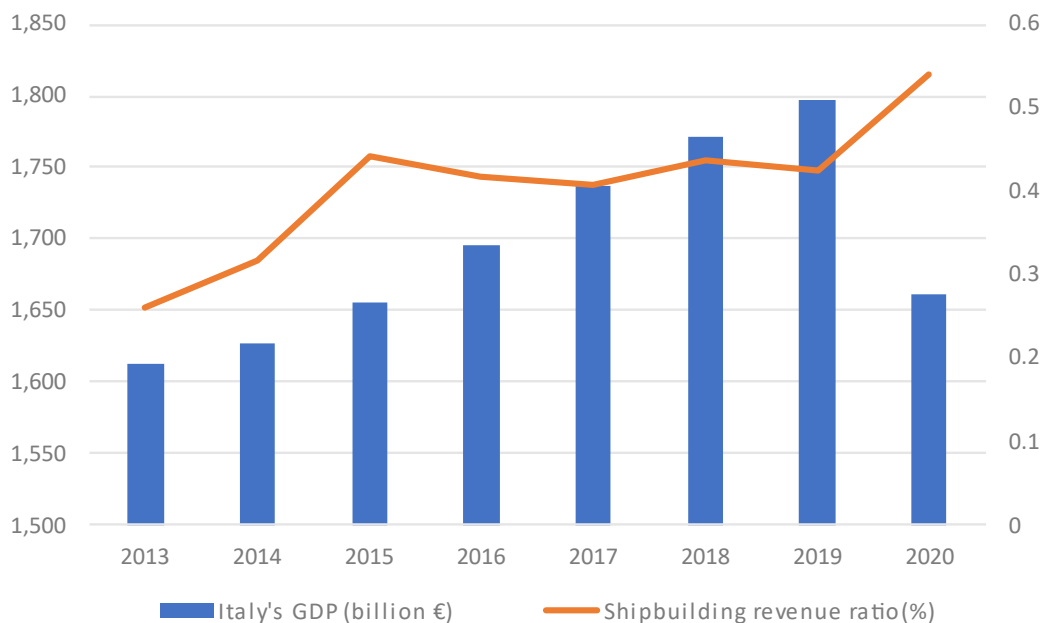
### 4.1. Presence of the industry

#### 4.1.1. Contribution to the national economy

The share of Italy's shipbuilding industry in GDP has been following an upward trend in the last 8 years. Data available from 2013 to 2020 shows that the value of the shipbuilding sector, considering the sum of commercial shipbuilding and leisure ship production, has varied between 0.26% of GDP in 2013 and 0.54% in 2020 (Figure 3). The ratio of commercial vessels (without leisure boats), which do not include the demand from public or military sectors, was 0.16% in 2013 and increased to 0.40% in 2020.

Although the contribution of the shipbuilding industry looks small in Italy, the Italian shipbuilding industry is building strong supply chains with local enterprises as will be described later. This indicates that the Italian shipbuilding industry supports the local economy and employment.

**Figure 3. The value of the shipbuilding sector in GDP, 2013-2020**



Source : I.stat, <http://dati.istat.it/>

#### 4.1.2. Production and orders

From 2008, the production of vessels decreased to reach 210k CGT in 2013. After that, and until 2015, it remained at a low level between 200-320k CGT, compared to 768k CGT in 2010. The number of vessels built per year also decreased from 34 at maximum in 2009 to a minimum of 8 in 2014.

Ship production began to grow again from 2016 when its volume recovered to 492k CGT. On the other hand, the number of vessels did not increase showing that the Italian shipbuilders have shifted to the construction of larger vessels, especially from 2016 (Figure 4).



This trend is underpinned by the recovery of the world economy and of the shipbuilding market including cruise ships. The increase in exports explains the recovery of the Italian shipbuilding industry, which is also based on a variety of elements:

- Its skilled workforce, which remained employed in shipyards even during crisis periods and the strong decline that hit the sector in 2014 and 2015.
- Italian shipyard flexibility which allowed the industry to build various cruise vessel types and to deal with various dimensions of requests emerging after the 2015 crisis.
- Several R&D initiatives facilitated technological upgrades and innovation in shipbuilding processes.

Vessel orders followed a different trend than vessel production. After the number of contracted vessels decreased sharply in 2008, the orders in number of vessels and tonnage in CGT recovered gradually and remained at a high level until 2019. (Figure 5).

After 2020, however, the COVID-19 pandemic and the consequent collapse of the cruise market have had a very negative impact on new orders. During 2020 and early 2021, most of the cruise fleet has been idled and new orders decreased sharply to almost 0. European ship orders also fell by 64% in 2020, much more than in other geographical areas. This is because both in Europe and in Italy, more than 80% of ships ordered in CGT are cruise ships.

The cruise industry is characterized by a particularly complex supply chain which involves many players who operate upstream and downstream of shipbuilding. The bottle neck of the supply chain appears in the average building period, which increased from 1,072 days in 2018 to 1,867 days in 2020. The same trend was observed in 2014 (Figure 6).

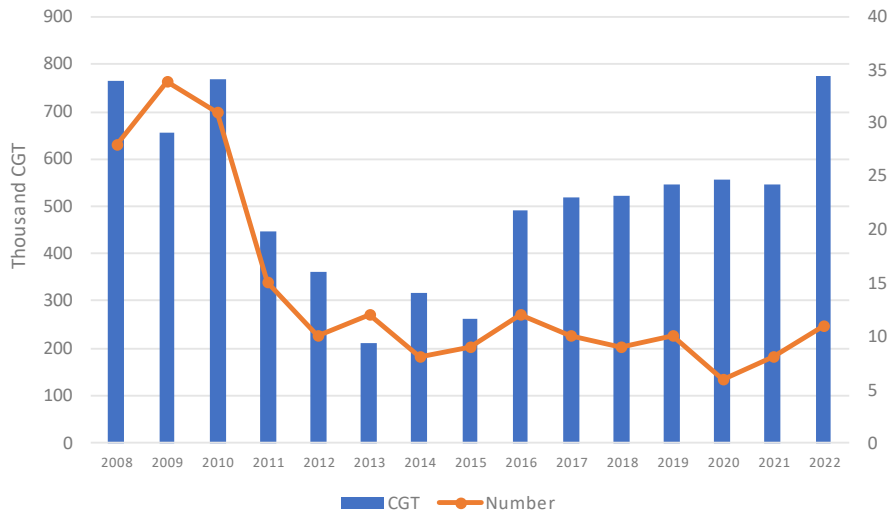
In such a critical situation, the Italian shipbuilders managed to minimize cancellations and/or negotiated the postponement of the construction of some of the new ships ordered, based on the strategic and operational skills of its managers and their ability to interact with shipowners. Moreover, with the recovery of cruise shipping from 2021 onwards, new orders have started to grow again.

The value of the orderbook of Italian shipbuilders on 31 March 2023 amounts to 22.7 billion euros (23.8 billion euros on 31 December 2022) with 89 cruise ships in the portfolio, and the soft backlog at approximately 11.3 billion euros (10.5 billion euros on 31 December 2022).

Between 2022 and 2028, 87 cruise ships are expected to be delivered globally, with an estimated value of over USD 51 billion and a total capacity of about 182k beds. European builders (Italy, Germany, Finland and France) dominate the newbuilding market.

40% of these 87 vessels are expected to be built by Italian shipyards, with Fincantieri (33) and T. Mariotti (2) representing a value of almost USD 22 billion (43% of the world total).

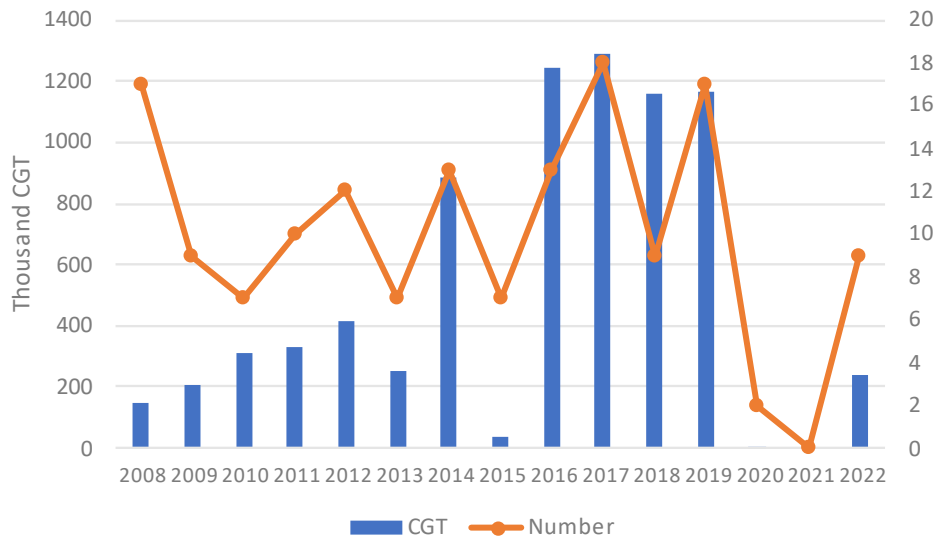
**Figure 4. Completions and Number of seagoing vessels built in Italy, 2008-2022**



Note: This figure includes all seagoing vessels from 100 GT.

Source: OECD calculations based on Clarkson Research Services Limited (January 2023), *World Fleet Register*, <https://www.clarksons.net/wfr>.

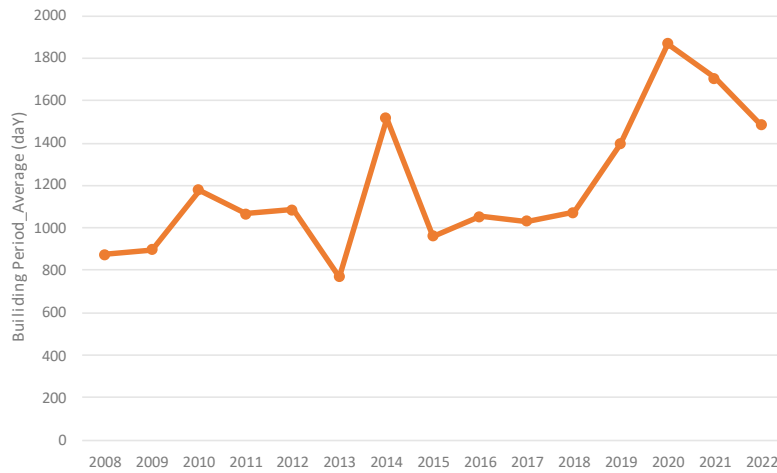
**Figure 5. Completions and number of seagoing vessels contracted in Italy, 2008-2022**



Note: This figure includes all seagoing vessels from 100 GT.

Source: OECD calculations based on Clarkson Research Services Limited (January 2023), *World Fleet Register*, <https://www.clarksons.net/wfr>.

**Figure 6. Average building period of seagoing vessels in Italy, 2008-2022**



Note: This figure includes all seagoing vessels from 100 GT.

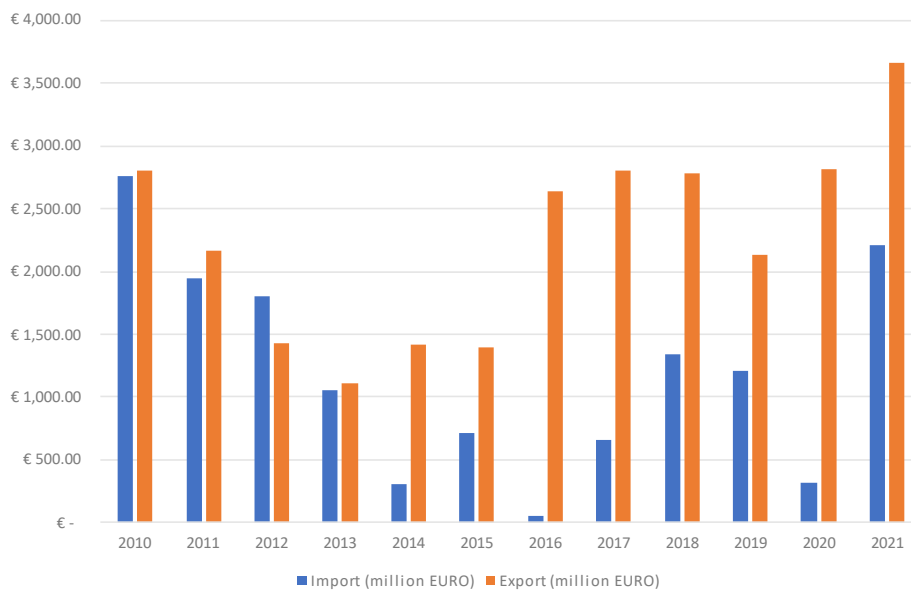
Source: OECD calculations based on Clarkson Research Services Limited (January 2023), *World Fleet Register*, <https://www.clarksons.net/wfr>.

### 4.1.3. Ship imports and exports

Figure 7 shows the total imports and exports of ships. Before 2013, the Italian imports and exports were balanced. Since 2014, the export volume has been exceeding imports. In response to the decrease in domestic shipbuilding demand, particularly the demand for cruise ships and ferries on which Italy focuses most of its production, Italian shipbuilders may have steered their companies to export since 2014.

According to the Italian International Registry, about 515 major ships are listed under the Italian flag. More than 74% of these vessels, about 380 units, have been made in Korea, China, Europe, Viet Nam and the United States; the rest of the vessels, about 120 units, are domestically built.

**Figure 7. Italy’s imports and exports of ships, boats, and floating structures, 2010-2021**



Source: I.stat, <https://www.coeweb.istat.it/>

#### 4.1.4. Features of the Italian shipbuilding industry

The Italian shipbuilding industry has a long and rich history from the time of the Roman Empire. Since then, Italy has been involved in shipbuilding for both commercial and naval purposes.

In the 20th century, Italian shipbuilding production was widespread across the entire range of vessel types, from passenger ferries to bulk carriers, and from luxury liners to tugboats. Towards the end of the century, the role and weight of the Italian cargo shipbuilding industry had strongly decreased, because of the competition from new players in East Asia.

Unlike freight ships, passenger and cruise ship sectors have remained economically profitable given the limited number of producers for this type of high added-value vessels. Therefore, some Italian companies were able to specialize in cruise and passenger ships, driving investments in this sector, especially aimed at increasing quality. Some of the previously freight-oriented shipyards shifted their activities into conversion, ship repair or ship modification processes:

- SEBM (ex Fincantieri): Cantieri del Mediterraneo (private company); Ship repairing, refitting and modification
- Nuovi Cantieri Apuania: Italian Sea Group; Reparation and refitting commercial ships and yachts production
- INMA di La Spezia: Leisure boat shipyard

Today, Italy is one of the world's leading producers of cruise and passenger ships. Table 1 shows Italy's share in world ship completions between 2013 and 2022 which was approximately 36% for cruise ships. Italy also accounted for 2.5% of the production of ferries and 1.7% of Ro-Ro ships (Roll-on/roll-off). During this period, Italian yards produced cruise ships for a total tonnage of 4,348 k CGT which is about 19 times more than ferries with a tonnage of 224 k CGT between 2013 and 2022.

There are some reasons why Italy plays such an important role in the international yacht and cruise market<sup>2</sup>. First, Italy has an accumulated shipbuilding technology based on its geological and historical advantages. Italy has 7,900 km of coastline on the Mediterranean and the Adriatic, with numerous ports with a high presence of yachts and cruise ships<sup>3</sup>. In addition, it originally has a large market for cruise ship tourism, which together with its geographical background could have contributed to the demand for such vessels and hence Italy's leading position in the development of high technical skills in the construction of large cruise ships.

Second, to produce high-end yachts and cruise ships, it is also required to be able to provide high-tech and good quality interior equipment. Italy hosts a favourable environment for mega-yachts production throughout its industrial ecosystem. Italian shipbuilders are known for their expertise in designing and building high-end luxury yachts, with a particular focus on customization and attention to detail.

In addition, Italy hosts yacht shows and competitions including the Genoa Boat Show, which have been taking place since 1962. This show is one of the biggest yacht expositions with 986 leading industrial manufacturers from 25 countries around the world participating, and more than 1,000 new yachts released. According to the Genoa International Boat Show manager, 84 buyers from 32 countries were invited to hold export consultations in cooperation with the Italian Trade Corporation in 2018. Italian manufacturers are also very active in international exhibitions such as the IBEX Show and METS Trade in Amsterdam. Since 1969, Barcelona, the world's largest yacht competition, has also held in Italy, in the Gulf of Trieste, organized by the yacht club Società Velica di Barcola e Grignano. In this competition, about 10,000 competitors and 2,000 participate every year.

The Italian shipbuilding industry proved itself capable of competing worldwide in high complexity product segments, such as cruise ships and naval vessels. Such capabilities can be taken as an indication of the high quality of research and development activities performed locally by the companies and can potentially

benefit (through well-known spin-out mechanisms) all other products built by the same companies or by their partners.

## 4.2. Upstream industries

Since the mid-nineteenth century, when steel ships started to be built, steel mills became located near ports with shipyards facilitating the supply of key inputs for steel plants notably coal and iron ore. This connection is clearly visible in the following example: in Genoa (GE) with the steel mill of Cornigliano, with the “RTS SpA”; in Piombino (LI) with the “JSW SpA” and the “Lucchini SpA”, Mestre (VE) and Taranto (TA) with “Acciaierie Italia” that is now one of the biggest steel blast furnaces of Europe.

Italian shipyards involved in cruise ships production need a wide range of products and services. These yards have contributed to developing a network of other industrial, artisanal, and service companies allowing the supply of their required inputs.

## 4.3 Shipbuilding districts

In Italy, the shipbuilding industry is notably located in the five following areas:

- North Tyrrhenian area: Genoa and surrounding (Genova, La Spezia and Massa).
- Center Tyrrhenian area: Naples and surrounding historical (Naples and Castellammare di Stabia).
- South Tyrrhenian area: Palermo.
- North Adriatic area: Monfalcone (Monfalcone, Trieste, Venice and Rovigo).
- Center Adriatic area: Ancona and Ravenna.

The areas in which the shipbuilding industry is more active correspond to the ones in which there are more vibrant ecosystems of supporting associations, academic institutions, and infrastructures. Such ecosystems at a regional level are tasked with designing and managing supporting activities for small- and medium-sized enterprises (SMEs), as well as facilitating technological transfer activities.

At a national level such ecosystems are further fostered by Technology Clusters (Blue Italian Growth and Transport) whose main task is to help the industry and the academia establish joint partnerships.

**Table 2. Regional ratios of shipbuilding and ship repair activities in Italy**

| Region                | Ratio (%) |
|-----------------------|-----------|
| Liguria               | 17.7      |
| Friuli-Venezia Giulia | 17.1      |
| Toscana               | 13.2      |
| Marche                | 11        |
| Campania              | 7.9       |
| Veneto                | 7         |
| Emilia-Romagna        | 6.3       |
| Lombardia             | 5.4       |
| <i>Piemonte</i>       | 5         |
| <i>Sicilia</i>        | 4.4       |
| <i>Lazio</i>          | 2.2       |
| <i>Puglia</i>         | 1.2       |
| <i>Sardegna</i>       | 0.7       |

|                            |            |
|----------------------------|------------|
| <i>Calabria</i>            | <i>0.5</i> |
| <i>Molise</i>              | <i>0.2</i> |
| <i>Basilicata</i>          | <i>0.1</i> |
| <i>Abruzzo</i>             | <i>0.1</i> |
| <i>Umbria</i>              | <i>0.1</i> |
| <i>Trentino-Alto Adige</i> | <i>0.0</i> |
| <i>Valle d'Aosta</i>       | <i>0.0</i> |

Note: Percentages indicate the ratio of the national production of shipbuilding ship repair activities in each region  
 Source: Report tecnico Anticipazione dei fabbisogni professionali nel settore della cantieristica navale, [https://oa.inapp.org/xmlui/bitstream/handle/20.500.12916/865/INAPP\\_Mencarelli\\_Mereu\\_Anticipazione\\_dei\\_fabbisogni\\_professionali\\_nel\\_settore\\_della\\_cantieristica\\_navale\\_2021.pdf](https://oa.inapp.org/xmlui/bitstream/handle/20.500.12916/865/INAPP_Mencarelli_Mereu_Anticipazione_dei_fabbisogni_professionali_nel_settore_della_cantieristica_navale_2021.pdf)

## 4.5 Enterprises

The “blocks” of ships are manufactured by different shipyards and then assembled in the final shipyard. This production process requires coordinated manufacturing protocols and standards. For instance, Fincantieri has already produced and shipped, from other drydocks, cruise vessel blocks to be integrated into the Monfalcone shipyard.

When the logistics for this type of production are not possible, some shipyards reorient themselves towards repair and maintenance, such as the “Nuovi Cantieri Apuania” shipyards and, partly, Fincantieri Palermo which is now specializing in maintenance and reparation of a very large vessel. Other shipyards get focused on smaller special vessels, such as the “Cantiere Rosetti” of Ravenna (for offshore structure, supply vessel and tugboat) or the “Cantiere Vittoria” of Adria (RO) (for fast/defense ship/boat, superyacht, special craft, etc.). Table 3 and Table 4 show the main enterprises in the Italian maritime sector.

Four of these 27 firms (Wartsila, Cantieri del Mediterraneo, Cartubi and Cantiere Jolly) were state-owned enterprises, which were sold by the government and purchased by private owners during the 1990s. In Italy, as in other European countries, the restructuring of shipbuilding took place in the 1990s. Some state-owned enterprises, such as “Arsenale Triestino” of Trieste and the “Società Esercizio Bacini Meridionali” SEBM SpA of Naples, were sold to private sector companies.

Currently, the Italian shipbuilding and ship repair cluster companies are mostly private. Fincantieri, the largest shipbuilding company in Italy, is a publicly listed company on the Milan Euronext stock exchange. Most of its shares are held by a subsidiary of Cassa Depositi e Prestiti S.p.A. (CDP), which is a prominent Italian investment bank founded in 1850 with 82.77% of the share capital owned by the Italian Ministry of Economy and Finance, the 15.93% held by various banking foundations and the remaining 1.30% by CDP itself with its own shares. An overview of its ownership structure is in Box 1.

The only significant foreign marine equipment company with production capacity in Italy is Wartsila. It builds and maintains ships’ main propulsion engine in Trieste. In the 1970s, the factory named G.M.T. was owned by Fiat Grandi Motori, Ansaldo and CRDA. Fincantieri acquired the company in 1984 and in 1999 it was purchased by the Wartsila Group (Finland). The plant in Trieste is only active in research and development and on the ship’s installed engine. During the 1970s, about 3000 workers were employed in the company, now they are less than 500. Wartsila is now a Finnish firm, while Cantieri del Mediterraneo, Cartubi and Cantiere Jolly are owned by Italian holders.

No recent closures of major shipyards or equipment manufacturing plants happened except for “Nuovi Cantieri Apuania” in Carrara (MS), which has been converted to yacht production through the Italian Sea Group. On the other hand, around 4% of SMEs in the maritime industry cluster shut down each year in the last 12 years.

**Table 3. Main Shipbuilding Yards**

|   |  |
|---|--|
| <b>FINCANTIERI</b>  | Cantiere Castellammare di Stabia (NA)<br>Cantiere Riva Trigoso (GE)<br>Cantiere Muggiano (SP)<br>Cantiere Marghera (VE)<br>Cantiere Monfalcone (TS)<br>Cantiere Ancona (AN)<br>Cantiere Sestri (GE)<br>FINCANTIERI Cantiere Palermo (PA) |
| <b>GENOVA INDUSTRIE NAVALI</b>  | Mariotti shipyard (GE)   |
| <b>CANTIERE NAVALE VISENTINI</b>  | Chioggia (VE) shipyard<br>Porto Viro (RO) shipyard   |
| <b>CANTIERE ROSETTI MARINO</b>  | Ravenna (RA) shipyard  |
| <b>CANTIERE NAVALE VITTORIA S.p.A</b>                                       | Adria (RO) shipyard  |
| <b>INTERMARINE S.p.A. and CANTIERI NAVALI RODRIGUEZ (IMMSI Group S.p.A)</b> | Sarzana (SP) shipyard, and Messina (ME) shipyard   |
| <b>LIBERTY LINES S.p.A</b>  | Trapani (TP) shipyard  |

Source: Published documents, by some firms and from the Assonave annual report, <https://www.assonave.it/>

**Table 4. Main ship conversion, ship repairing or recycling yards**

|   |   |
|---|---|
| <b>FINCANTIERI</b>  | Bacino galleggiante Genova (GE)<br>Cantiere ATSM Trieste (TS) |
| <b>GENOVA INDUSTRIE NAVALI<br/>San Giorgio del Porto<br/>Piombino Industrie Marittime</b> | Genova shipyard, recycling (GE)<br>Piombino (LI) shipyard     |
| <b>CANTIERI DEL MEDITERRANEO</b>  | Napoli (NA) shipyard  |
| <b>PALUMBO SHIPYARDS NAPOLI S.r.l.</b>  | Napoli (NA) shipyard  |
| <b>LA NUOVA MECCANICA NAVALE S.r.l.</b>   | Napoli (NA) shipyard  |
| <b>THE ITALIAN SEA GROUP</b>  | Cantiere di Marina di Carrara (MS)                            |
| <b>NAVALIMPIANTI NAVIM S.p.A</b>  | Ceranesi (GE) shipyard  |
| <b>IGNAZIO MESSINA</b>  | Cantiere di Genova (GE)                                       |
| <b>CARTUBI Srl</b>  | Trieste (TS) shipyard   |
| <b>CANTIERE NAVALE GRUPPO JOLLY</b>   | Taranto (TA) shipyard   |

Source: Published documents, by some firms and from the Assonave annual report, <https://www.assonave.it/>

**Table 5. Main companies in the maritime equipment sector**

|  |  |
|--|--|
| <b>WARTSILA (propulsion engine)</b>                                      | Trieste (TS) facility                    |
| <b>ISOTTA FRASCHINI MOTORI (engine and generator)</b>                    | Bari (BA) facility                       |
| <b>ECOSPRAY TECHNOLOGY (maritime equipment, scrubber, antipollution)</b> | Alzano Scrivia (AL) facility             |
| <b>TECNIMPIANTI NAVIM S.p.A</b>  | Livorno (LI) and Palermo (PA) facilities |
| <b>IDAL GROUP S.p.A. (steel carpentry and accessories)</b>               | Napoli facility                          |
| <b>CANEPA &amp; CAMPI Srl (safety accessory)</b>                         | Genova (GE) store                        |
| <b>FAGIOLI S.p.A. (plant engineering, cranes, and handling)</b>          | Sant'Ilario d'Enza (RE)                  |
| <b>GARBARINO POMPE S.p.A</b>   | Aqui Terme (AL)                          |
| <b>GAMAP Srl (ship furniture and technical equipment)</b>                | Trieste (TS)                             |
| <b>ELETTROTECNICA PERGOLO Srl (electric and electronic equipment)</b>    | Genova (GE)                              |

|   |             |
|---|-------------|
| ELETTRONIS Srl (electric and electronic equipment)        | Napoli (NA) |
| GHISALBA S.p.A. (engine control and automation equipment) | Rivoli (TO) |
| COSNAV S.r.l. (propulsion and governing equipment)        | -           |

Source: Financial report of selected firms and Assonave annual report, <https://www.assonave.it/>

#### ***4.5.1. Italian's shipbuilder's completion***



Table 6 shows ship completions by Italian shipbuilders by vessel types. Fincantieri is the largest cruise ship producer in the world, building vessels for the major global cruise lines. Fincantieri's ship production amounted to 4,307k CGT for cruises, and 4,355k of CGT in total production including all types of vessels between 2013 to 2022. It represented 91.7% of ship production in CGT in Italy.

The following shipbuilder is Navali Visentini. Navali Visentini produces two types of vessels, Ferries (156k CGT) and Roll-on/Roll-off (54k CGT). In total, it represents 4.4% of Italian ship production.

Within the shipbuilding industry, Fincantieri represents an integrated and complete player which develops its business horizontally across all segments. This feature makes it a highly valuable company at the global level as, through the integration of maritime technology, shipyards enable the transfer of know-how along the supply chain internationally.

Some selected notable orders from Italian shipyards are presented below:

- In June 2022, Snav signed a contract with the Italian shipyard Intermarine for the supply of a fast ferry with a capacity of up to 750 passengers and 34 knots of speed.
- T.Mariotti is on the shortlist with the Spanish Armon to win the new constructions requested by RFI which corresponds to a contract of EUR 52.19 million for a couple of dual fuel fast ferries with a possible option for a third.
- The construction of new ro-pax ferries will continue at the Visentini Shipyard. The A Galeotta was delivered on 7 December 2022 to Corsica Linea while the next one is formally destined to the Visemar company of the Visentini family in 2023. Another ferry has already been sold with a ten-year bareboat charter contract (with a purchase option from the sixth year) to the Polish company Polferries.
- The delivery of the first Italian tugboat powered by liquefied natural gas and the first barge for bunkering integrated with it, commissioned by Rimorchiatori Riuniti Panfido to the Rosetti Marino shipyard in Ravenna, has been postponed to 2023 because of the delays in the completion of works.
- Fincantieri is about to deliver (in 1Q 2024) its first LNG cruise ship (the "Sun Princess"), which, at 175.500 gross tons, will be the largest ever built in Italy. Among the latest orders of particular importance collected by Fincantieri in the cruise sector is the order of Four Seasons Yachts (Four Seasons Hotels and Resorts) for the construction of two (plus another in option) luxury passenger ships to be built in Ancona with delivery scheduled for 2025 and 2026. The value of the order amounts to approximately EUR 1.2 billion for the three new buildings.

**Table 6. Italian shipbuilder's completions by selected ship types in thousands of CGT (2013-2022)**

| Completion<br>(2013-2022)<br>Thousands of CGT | Chemical<br>Tankers | Cruise | Dredgers | Ferries | MPP | Offshore | Other<br>non-Cargo | Ro-Ro | Tugs |
|---|---------------------|--------|----------|---------|-----|----------|--------------------|-------|------|
| Arsenale Triestino                            |                     |        |          |         |     |          |                    |       | 1    |
| Azimut-Benetti<br>Group                       |                     |        |          | 2       |     |          |                    |       |      |
| Cant. Nav. Vittoria                           |                     |        | 6        | 4       |     | 2        | 4                  |       | 4    |
| Fincantieri                                   |                     | 4,307  |          | 19      |     | 13       | 16                 |       |      |
| HSC Shipyard                                  |                     |        |          | 2       |     |          |                    |       |      |
| Intermarine<br>Sarzana                        |                     |        |          | 11      |     |          |                    |       |      |
| Lorenzon                                      |                     |        | 2        |         |     |          |                    |       |      |
| MMGI Shipyard                                 |                     |        |          |         |     | 2        |                    |       |      |
| Navali Visentini                              |                     |        |          | 156     |     |          |                    | 54    |      |
| Rosetti Marino                                |                     |        |          |         |     | 30       |                    |       | 8    |
| San Giorgio                                   | 17                  |        |          |         |     |          |                    |       |      |
| San Marco                                     |                     |        |          | 3       | 9   |          |                    |       |      |
| T. Mariotti                                   |                     | 42     |          | 9       |     | 3        |                    |       |      |
| The Italian Sea<br>Grp                        |                     |        |          | 9       |     |          |                    |       |      |
| Unknown Yard<br>/Italy                        |                     |        |          | 8       |     |          | 2                  |       |      |
| Vittoria                                      |                     |        |          |         |     |          | 2                  |       |      |

Note: This table includes all seagoing vessels from 100 GT.

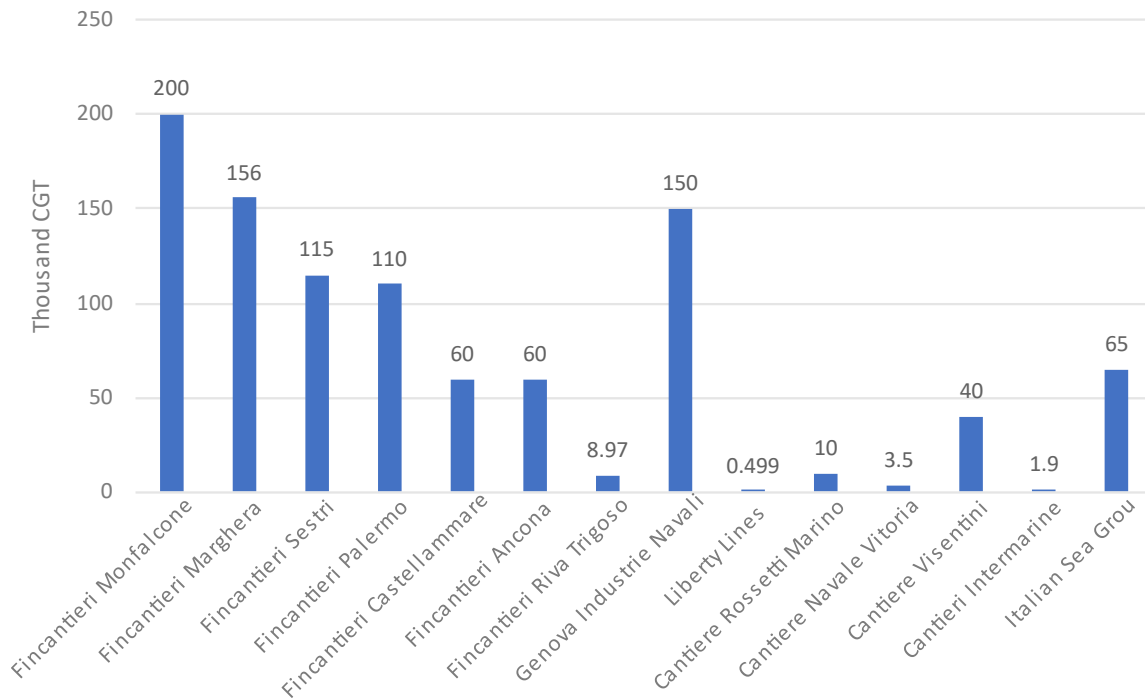
Source: OECD calculations based on Clarkson Research Services Limited (January 2023), *World Fleet Register*, <https://www.clarksons.net/wfr>.

#### 4.5.2. Shipbuilding capacity

Figure 8 shows the shipbuilding capacity of Italian shipyards based on a survey by the Ministry of Infrastructures and Transport.

Table 7 shows the activity of each shipyard from 2007 to 2020.

**Figure 8. Shipbuilding capacity of selected Italian Shipyards**



**Note:** When considering the CGT data, it needs to be noted that a part of Fincantieri's and Cantiere Vittoria's productions consists in defence/military vessels production.

**Source:** Conto Nazionale Italiano Trasporti [Italian National Transport Account], [https://www.mit.gov.it/sites/default/files/media/pubblicazioni/2020-07/Libro%20Web%20CNIT%202018-2019\\_0.pdf](https://www.mit.gov.it/sites/default/files/media/pubblicazioni/2020-07/Libro%20Web%20CNIT%202018-2019_0.pdf), <https://www.mit.gov.it/nfsmitgov/files/media/pubblicazioni/2022-07/Conto%202020-2021.pdf>

**Table 7. Major shipyard activity**

| <b>FIRMS</b>                     | <b>2017<br/>CGT (units)</b> | <b>2018<br/>CGT (units)</b> | <b>2019<br/>CGT (units)</b> | <b>2020<br/>CGT (units)</b> |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Fincantieri S.p.A.</b>        | 1 440 796 (33)              | 2 270 987 (37)              | 2 552 510 (40)              | 2 629 790 (43)              |
| <b>Cantiere navale Vittoria</b>  | 7 310 (13)                  | 7 000 (10)                  | 20 795 (15)                 | 19 315 (12)                 |
| <b>Cantiere navale Visentini</b> | 39 973 (5)                  | 25 476 (3)                  | 37 890 (6)                  | 28 620 (3)                  |
| <b>Rosetti Marino</b>            | 4 960 (14)                  | 0 (12)                      | 0 (0)                       | 0 (3)                       |
| <b>Intermarine S.p.A.</b>        | n.d. (0)                    | 12 534 (1)                  | 27 438 (13)                 | 8 382 (7)                   |
| <b>Liberty Lines</b>             | 2 868 (2)                   | 1 434 (1)                   | 1 434 (1)                   | 0 (0)                       |
| <b>T. Mariotti S.p.A.</b>        | 5 950 (1)                   | 74 350 (3)                  | 77 475 (3)                  | 77 475 (3)                  |
| <b>Cantieri navali Mancini</b>   | n.d. (3)                    | n.d. (3)                    | n.d. (4)                    | n.d. (6)                    |
| <b>Cantiere Foschi</b>           | 150 (1)                     | 300 (2)                     | 450 (2)                     | 0 (n.d.)                    |
| <b>Total</b>                     | 1 502 007 (72)              | 2 392 081 (72)              | 2 717 992 (84)              | 2 763 582 (77)              |

Source: Conto Nazionale Italiano Trasporti [Italian National Transport Account],  
[https://www.mit.gov.it/sites/default/files/media/pubblicazioni/2020-07/Libro%20Web%20CNIT%202018-2019\\_0.pdf](https://www.mit.gov.it/sites/default/files/media/pubblicazioni/2020-07/Libro%20Web%20CNIT%202018-2019_0.pdf),  
<https://www.mit.gov.it/nfsmitgov/files/media/pubblicazioni/2022-07/Conto%202020-2021.pdf>

### Box 1. Fincantieri Group

Fincantieri is one of the biggest designers and shipbuilders with 230 years of history and over 7,000 ships built.

It has:

- 18 shipyards in 4 continents
- more than 20,000 employees
- 90,000 including subcontractors, and
- 100 subsidiaries.

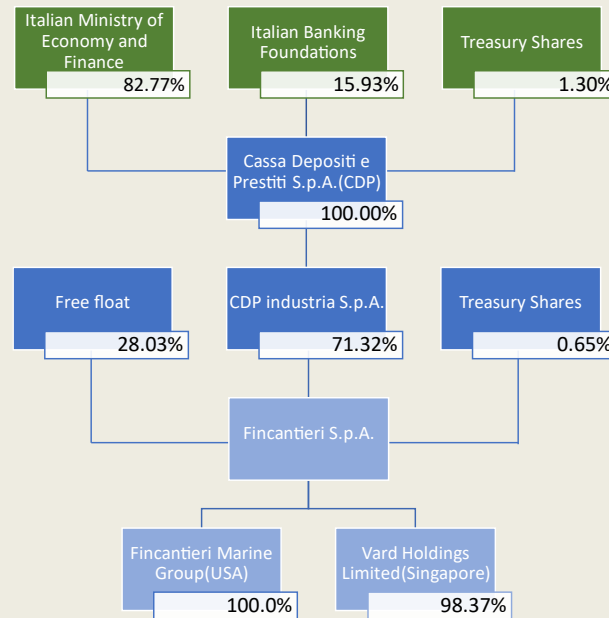
Fincantieri's revenues amounted to EUR 7.4 billion in the fiscal year 2022, and the total backlog amounted to EUR 34.3 billion (as of 31 December 2022).

The main products of Fincantieri are cruise ships and naval vessels. Both accounts respectively for 48.7% and 22.3% of revenues in 2022 with a backlog of 19.678 billion euros. Fincantieri has a diversified product portfolio in the world combined with a wide client base.

**Table: Products, Clients, Revenues and Backlog**

|                                |   | Main products  | Revenues in 2022   | Backlog  | Key Clients   |
|--------------------------------|---|--|--|--|---|
| Shipbuilding                   | Cruise ship*  | <ul style="list-style-type: none"> <li>▪ All cruise ships               <ul style="list-style-type: none"> <li>○ Luxury/Niche</li> <li>○ Upper Premium</li> <li>○ Contemporary</li> </ul> </li> <li>• Ship repairs &amp; Conversion</li> </ul> | EUR 4 139 mln, 51.5 % (in the total revenues of Fincantieri) | EUR 19 246 mln, 57 deliveries to 2029                | <ul style="list-style-type: none"> <li>▪ Carnival</li> <li>▪ Norwegian Cruise Line Holdings</li> <li>▪ Viking Ocean cruises</li> <li>▪ MSC cruise</li> <li>▪ Italian Navy and Coast Guard</li> <li>▪ US Navy</li> <li>▪ Qatar Emiri Naval Forces</li> <li>▪ United Arab Emirates Navy</li> <li>▪ Algerian Navy</li> <li>▪ Royal Saudi Navy</li> </ul> |
|                                | Marine Interiors  | <ul style="list-style-type: none"> <li>▪ Cabin, Bathroom and public halls</li> </ul>   | EUR 71 mln, 0.9%   |  |   |
|                                | Naval   | <ul style="list-style-type: none"> <li>▪ Surface vessels</li> <li>▪ Auxiliary &amp; Special vessels</li> <li>▪ Submarines</li> </ul>   | EUR 2 162 mln, 26.9%   |  |   |
| Offshore & Specialized Vessels |   | <ul style="list-style-type: none"> <li>▪ Offshore Wind</li> <li>▪ Oil &amp; Gas offshore</li> <li>▪ Specialised vessels</li> <li>▪ Fishery</li> </ul>  | EUR 751 mln, 9.3%  | EUR 1 344 mln, 32 deliveries to 2026                 | <ul style="list-style-type: none"> <li>▪ DOF Subsea</li> <li>▪ Norwind</li> <li>▪ Offshore</li> <li>▪ Norwegian Coast Guard</li> </ul>  |
| Equipment, Systems & Services  | Electronics, systems & software & Mechanical components | <ul style="list-style-type: none"> <li>▪ Digital services comprehensive support</li> <li>▪ Digital asset management</li> <li>▪ Marine systems &amp; components</li> </ul>  | EUR 646 mln, 8.0%  | EUR 2 513 mln, of which EUR 1 996 mln infrastructure | <ul style="list-style-type: none"> <li>▪ Italian Navy and Coast Guard</li> <li>▪ US Navy</li> <li>▪ MSC cruises</li> <li>▪ edf Fenice</li> <li>▪ Carnival</li> </ul>  |
|                                | Infrastructure  | <ul style="list-style-type: none"> <li>▪ Structural steel components</li> <li>▪ Maritime works</li> <li>▪ Technical buildings and facility management (i.e., hospitals)</li> </ul>   | EUR 262 mln, 3.3%  |  |   |

Source: Fincantieri, 1Q 2023 Results & 2023-2027 Strategic plan, [https://www.fincantieri.com/globalassets/investor-relations/presentations/results/2023/fincantieri-1q2023-results\\_2023-2027\\_strategic-plan.pdf](https://www.fincantieri.com/globalassets/investor-relations/presentations/results/2023/fincantieri-1q2023-results_2023-2027_strategic-plan.pdf)

**Graph: Simplified ownership and Group structure**

- Fincantieri shares have been listed on the Milan Stock Exchange since July 3, 2014.
- Its reference shareholder is CDP Industria S.p.A, a holding company fully owned by CDP, owning 71.32% stake. CDP is an Italian state-owned National Development Institution holding major stakes in several listed / non-listed strategic Italian companies.
- Fincantieri S.p.A. is the Holding company of the Group.
- Fincantieri Marine Group(“FMG”) is the US subsidiary controlling the 3 American yards.
- Vard Holdings Limited is the holding company for the VARD Group, delisted from the Singapore Stock Exchange in 2018.

## 4.6. Recent Challenges

### 4.6.1. Employment trend

In the light of the need to pursue the flexibility and cyclical nature of the production process, shipyards adopted lean production lines and lean supply chains, outsourcing a part of work processes that were once internal.

This outsourcing has resulted in a substantial part of the added value chain, about 70-80%<sup>4</sup> being produced outside the plants of the main contractors/companies. Employment data shows a strong reduction of the active workforce between years the 2008 and 2014, due essentially to the 2008 crisis having its full effects on the maritime economy with some delay.

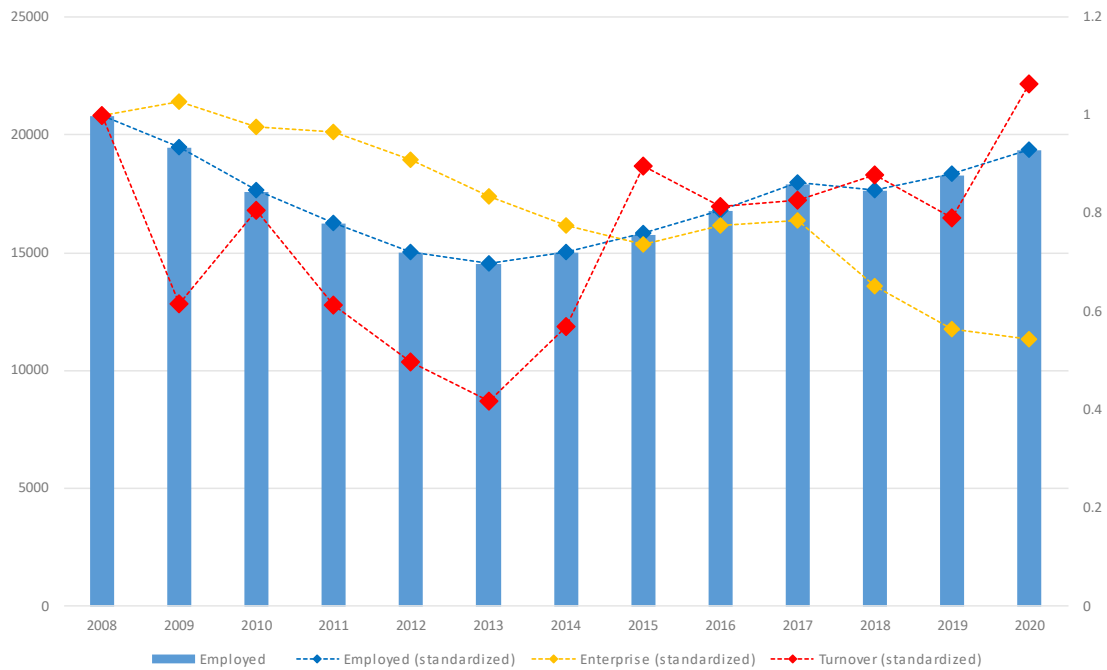
Since 2008 and until 2014, the number of employees dropped by 37%, while the gross operating margin decreased sharply in 2010 and 2012, due to the effects of the 2008 crisis which materialized on the maritime economy with some delay (Figure 9). The trend was inverted in 2015, and employment started to increase.

The overall number of firms operating in the sector followed the employment curve, and many small enterprises were forced to close. Emergency support measures provided by the “cassa integrazione” (social security fund) can contribute to avoiding the dispersion of specialised labour force in periods of crisis,

This restructuring paved the way for the economic rebound of the sector in the following years, allowing the cluster to have important positive results in the years 2018 and 2019.

When looking at local situations, the effects of these fluctuations in employment in the industrial districts located in Genova, Naples, Trieste and Monfalcone, and Palermo, amplified the general employment rates on a local basis.

**Figure 9. Employment trend in Italian shipyards**



Source: I.stat; <http://dati.istat.it/?lang=en&SubSessionId>

#### 4.6.2. Maritime decarbonization

As is the case for the global shipbuilding industry, Italian shipbuilders increasingly focus on environmental sustainability. They act to reduce emissions, optimize fuel consumption, and develop eco-friendly ship designs. This includes utilizing alternative fuels, implementing energy-saving technologies, and adhering to strict environmental regulations.

The European measures targeting the reduction of GHG emissions have driven changes both in the newbuilding and refitting segments. More and more facilities will be equipped with connection systems with the onshore electricity grid and bunkering infrastructure providing alternative fuels, such as LNG and other ones from which hydrogen can be obtained and used onboard.

Almost half of the new ships planned for delivery will be powered by LNG and alternative fuels. In terms of refitting measures, many cruise operators have decided to make significant additional investments regarding existing orders, modifying, and redesigning the fuel systems of their ships with the transition to dual-fuel engines.

## 4.7. Competitiveness

Table 8 describes selected key strengths, opportunities, weaknesses, and threats (SWOT) of the Italian shipbuilding industry based on the data and analyses mentioned in the previous sections.

**Table 8. SWOT analysis of Italian shipbuilding industry**

| <b>Strengths</b>  | <b>Weakness</b>   |
|---|---|
| <ul style="list-style-type: none"> <li>• High competitiveness in cruise ship building</li> <li>• Strong supply chain</li> <li>• Transfer of skilled technology</li> <li>• High innovation potential</li> <li>• Close links with local economies</li> <li>• Geographical and logistic convenience</li> </ul> | <ul style="list-style-type: none"> <li>• Specialized and thus vulnerable production of ships.</li> <li>• Gap between the relatively large companies and small and medium-sized companies</li> <li>• Labour shortage</li> </ul>  |
| <b>Opportunities</b>  | <b>Threats</b>  |
| <ul style="list-style-type: none"> <li>• Increased demand for low-emissions/ zero-emissions ships</li> <li>• Increased importance of economic resilience and economic security</li> </ul>   | <ul style="list-style-type: none"> <li>• Rise of other countries in the production of cruise ships</li> <li>• Decline in demand for cruise ships due to external factors (pandemic disease, international confrontation, war, etc)</li> <li>• Regulatory context impacting on raw materials' costs</li> </ul> |

The Italian shipbuilding industry has a strong position in the global shipbuilding market with its construction activity specializing in cruise and passenger ships. This is underpinned by a strong supply chain built up with marine equipment manufacturers and local industry, and by the transferred high skills of the workforce and management.

As a peninsular country, Italy is geographically well-positioned for shipbuilding and ship repair activities. The maritime sector has contributed to the economy of not only Italy but also Europe and the world through shipping, which has been an important means of transport and trade.

In addition, the IMO agreed in July 2023 that GHG emissions from international shipping should reach net zero by around 2050. In response to the new target, the added value of decarbonization innovations and the increasing new ship replacement demand will provide business opportunities for Italian shipyards.

Recent disruptions in global supply chains, caused by natural disasters, pandemics, geopolitical tensions and coercion, have highlighted the importance of economic and supply chain resilience and security as discussed in the G7 summit<sup>5</sup>. Italy's supply chain network can fully exploit its advantages in this context.

On the other hand, as discussed in 4.1.4, the “portfolio” of the Italian shipbuilding industry is heavily dependent on cruise and passenger ships, and the construction of other ship types is extremely low compared to these vessels. Therefore, if the demand for cruise and passenger shipbuilding falls due to external factors, such as pandemic diseases, and geopolitical tensions, the Italian shipbuilding industry would suffer.

In addition, the construction of cruise and passenger ships by other growing economies, could be a threat to the Italian shipbuilding industry, considering that other potential competitor countries have good opportunities for logistic expansion, which is a challenge for Italian shipyards.

In terms of shipbuilders, the large size and technological gap between large shipyards, vis-à-vis small and medium-sized shipyards should also be noted. Diversification and technological cooperation can be effective in facing this challenge.



## 5. Policies affecting the shipbuilding and marine equipment industry

### 5.1. EU Regulatory measures

As a Member of the European Union (EU) since 1958, Italy abides by the common and general regulations, policies, and strategies that are established under the functioning framework of the EU, and that fall within its exclusive competence.

#### 5.1.1 EU Treaty Provisions

In accordance with Article 3 of the Treaty on the Functioning of the European Union, and considering all possible exceptions, the EU exercises exclusive competence in regulating a number of areas that are relevant but not limited to industry such as (a) common commercial policy; (b) the establishing of the competition rules necessary for the functioning of the internal markets; (c) customs tariffs and duties which shall cover all trade in goods; (d) the conservation of marine biological resources under the common fisheries policy, and (e) the exclusive competence for the conclusion of international agreements when its conclusion may affect common rules or alter their scope, among others.

In what pertains to the areas that fall within the exclusive competence of the EU, Italy, as an EU Member State, shall legislate or adopt legally binding acts only if so empowered by the EU or for the implementation of EU acts. While the areas that refer to EU common and general regulations, policies, and strategies interact with a broader range of industries, they influence Italian shipbuilding industry.

Subsection 2 of Article 2, and Articles 4 and 6 of the Treaty on the Functioning of the European Union, confer a shared competence between the EU and Member States in certain areas where Member States might be able to legislate or adopt legally binding acts to the extent that the EU would not or has not yet exercised its competence, and also to coordinate, support or supplement regulations and policies that are already in place.

Areas of shared competence between the EU and the Member States can cover, for instance, social and employment policy, environmental and industry transition policy, internal market policy, consumer protection policy, and transport policy, among other policy areas, including policies related to specific common safety concerns on security issues and public health matters.

#### 5.1.2. Membership to international organisations

Considering the above-mentioned, the Italian shipbuilding industry has been shaped around the EU functioning framework. Furthermore, the sector has been influenced by Italian membership to International Intergovernmental Organizations (IGOs) such as the World Trade Organization (WTO), where WTO standards, agreements and global rules for international trade have been incorporated and enforced.

Beyond its impact in international trade, Italian membership to the WTO has extended its effects in Italian social and labour standards. This, through the alignment of WTO Member States with international core labour principles outlined by the International Labour Organization (ILO) on areas including freedom of association and no discrimination at work. Moreover, Italy has adopted the Agreement of Government Procurement (GPA) to regulate public procurement of good and services based on principles of transparency, openness, and non-discrimination.

It is relevant to mention that, within the framework of the functioning of the EU, and in accordance with what is stipulated in subsection 5 of Article 168 and subsection 4 of Article 2 of the Treaty on the Functioning of the European Union, a number of temporary measures and incentives were deployed to

address the exceptional challenges pertaining the COVID-19 pandemic and Russia's war of aggression against Ukraine.

### **5.1.3. EU temporary measures and incentives**

Some of the temporary measures and incentives put in place to tackle the challenges arising from the COVID-19 pandemic and Russia's war of aggression against Ukraine continue in effect and may impact, among others, Italian shipbuilding industry.

For instance, strategies such as NextGenerationEU, operating through the Recovery and Resilience Facility (RRF) and within the framework of the EU's post-COVID-19 recovery plan, have set the ambitious goal of making Europe climate-neutral by 2050 by, inter alia, investing in environmentally friendly technologies, which is expected to push forward Italian shipbuilding industry transition toward decarbonisation.

EU State Aid Temporary Framework has also given Italy a tool to support the economy in the face of the above-mentioned crises by allowing the country to implement support measures that are not specifically directed to the shipbuilding industry but applicable to various sectors. It is important to note that the EU State Aid Temporary Framework expired in June 2022, except in the areas of investment and solvency support, which remain in effect until December 2023.

As previously mentioned, the EU has established a set of common general regulations, policies, and strategies that influence industry in general and that affect or are foreseen to affect the Italian shipbuilding industry. Nonetheless, in addition to the common general regulation, the EU has also issued common specific regulations that exclusively affect the Member States shipbuilding industry.

### **5.1.4. EU regulation on shipbuilding**

The common specific regulation on shipbuilding that the EU has put in place and that affects EU Member states including Italy is the following: i) EU Regulation 1257/2013 on ship recycling, which aims at enhancing the protection of human health and the EU marine environment, particularly regarding the proper management of hazardous materials on ships; ii) EU Regulation 2016/1013 on protection against injurious pricing of vessels, which punishes shipbuilders engaged in unfair pricing; iii) EU Directive 2009/21/EC, which aims to enhance safety and prevent pollution from ships flying the flag of a Member State; iv) EU Directive 2014/90/EU on Marine Equipment, which aims to increase marine safety and reduce the risk of marine pollution, and v) the International Convention for the Safety of Life at the Sea (SOLAS), which was ratified by all EU Member States.

Furthermore, as an EU member state, Italy is expected to implement EU regulations to encourage the decarbonisation of maritime transport. Starting January 2024, the EU Emissions Trading System (EU ETS) will include maritime CO<sub>2</sub> emissions from all large ships entering EU ports, irrespective of their flag. Additionally, the EU FuelEU Maritime regulation is set to be effective from January 2025.

It is important to mention that international maritime standards are developed by the International Maritime Organization (IMO), a United Nations (UN) specialized agency responsible for providing the regulatory framework for the shipbuilding industry.

## 5.2. National Support measures

### 5.2.1 Government Structure

The Ministry of Infrastructure and Transport oversees the shipbuilding sector, maritime transportation and ports. It is managed by a Minister, two Deputy Ministers and one Undersecretary. It includes three Departments:

- Department for strategic planning, infrastructural, network transport, information and statistical systems<sup>6</sup>
- Department for sustainable mobility<sup>7</sup>
- Department for public works, housing and urban policies, water infrastructures and human and instrumental resources<sup>8</sup>

The “General Directorate for the Supervision of the Port System Authorities, Maritime Transport and Inland Waterways”, which is the unit that deals with the maritime sectors of the shipbuilding industry, waterways management and the surveillance of the sixteen port authorities present along the Italian coasts, operates within the Department for sustainable mobility.

### 5.2.2. Stakeholders

The maritime cluster involves several stakeholders which are presented in the Table 9.

**Table 9. Relevant stakeholders of the maritime cluster in Italy**

|                         |   |  |
|-------------------------|---|--|
| Enterprise associations | <ul style="list-style-type: none"> <li>• Assonave</li> <li>• Confitarma</li> <li>• Assoarmatori</li> <li>• Assoport</li> <li>• Confindustria Nautica</li> </ul> | <p>Assonave represents the interests of the shipbuilders. Assoarmatori and Confitarma represent the interests of the shipowners' category. Assoport is the port authority association.</p> <p>Confindustria Nautica represents the interests of the yachting industry</p>  |
| Trade Unions            | <ul style="list-style-type: none"> <li>• FIOM-CGIL</li> <li>• FIM-CISL</li> <li>• UILM</li> <li>• USB</li> </ul>  | <p>CGIL CISL and UIL are the 3 main representatives of the numerous trade unions, USB is a relatively recent organization. they are federated with other working sectors and represent the needs of workers in the cluster but maintain links with other sectors of work. They are entitled to stipulate national employment contracts with the relevant employer organisations, thanks to the elections held every 3 years.</p> <p>The national employment contracts, stipulated between the employers' associations and the trade union organizations, constitute the basic legislation governing the employment relationship at the national level.</p> |
| Port Authorities        | 16 port authorities   | These Authorities manage the infrastructures, along its 8300 km of coasts, related to shipping or shipbuilding activities.   |

|                             |   |   |
|-----------------------------|---|---|
| Local Public Administration | 2 types of competent local authorities:<br>Regions and Municipalities | Role in administrative policy, Environmental regulation, and surveillance. Under some of those authorities fall some infrastructure management like drydocks, wet docks, slipways, and quays. |
|-----------------------------|---|---|

### 5.2.3. National support measures

In the twentieth century, during the 1980s and 1990s, the Government promulgated a number of specific laws to intervene in the shipbuilding sector which were mainly oriented towards the restructuring of shipyards and fleet modernization as “Disposizioni concernenti l'industria navalmeccanica ed armatoriale e provvedimenti a favore della ricerca applicata al settore navale. (LEGGE 14 giugno 1989, n. 234)<sup>9</sup>.

Following the establishment of the European Union and the adoption of the euro, Italian legislation was brought in line with European rules, notably state aid rules, which prevent market-distorting policy interventions. The only policy measures that were allowed for specific thematic areas, were addressed to all companies, and limited in time. Currently, the Italian government has not provided any support to increase shipbuilding capacity even during the COVID-19 pandemic period.

The Italian government has been making an effort to improve transparency on government support. In 2017, Italy published legislation<sup>10</sup>, which requires all companies receiving “grants, subsidies, advantages, contributions or aid, in cash or in-kind, which do not have any reciprocal, remunerative, or compensatory nature” to publish the amounts they obtained from Italian authorities in the preceding year in the supplementary notes of their financial statements and any consolidated financial statements<sup>11</sup>. Publication is mandatory, subject to penalties, if the total amount of the sums received, including from various public entities, is equal to or greater than 10 k euros.<sup>12</sup>

Recently, public interventions benefited fleet renewal, in connection with the Italian government’s “Complementary Funds”, providing support to shipowners for fleet renewal (or upgrade) in order to meet higher ecological standards. These funds were however made available only to shipowners and no public support measure was directly provided to the shipbuilding industry.

As regards the export credits, Italy has two Export Credit Agencies, SIMEST<sup>13</sup> and SACE<sup>14</sup>. The volume of the financial support is determined on a case-by-case basis in accordance with the Ship Sector Understanding of the Arrangement.

## 5.3. R&D and Innovations

The Ministerial decree n. 196<sup>15</sup> of 10 June 2015, issued pursuant to the 2015 Stability Law, provided for the possibility of financing innovative product and process projects in the maritime sector through the allocation of a twenty-year contribution of EUR 5 million starting from 2015. The measure was in line with the European Commission’s General Exemption Regulation (EU) No. 651 of 2014 of 17 June 2014.

The beneficiaries of the subsidy are:

- shipbuilding, repairing and conversion shipyards, registered in the appropriate registers of shipbuilding companies pursuant to art. 19 of Law no. 234/89,
- companies with registered offices or shipyards located in Italy at the time of disbursement of the aid and,
- shipping companies pursuant to art. 265 of the Navigation Code

In the context of this measure (Stability Law 2015), in 2016, 15 naval projects were approved in favors of 8 shipbuilding companies for a total amount of EUR 100 million disbursed over a time window of approximately twenty years (until 2034) as established by the law.

Fincantieri and Isotta Fraschini Motori are included among the 35 participating companies and will start specific projects for developing endothermic engines and electricity-producing fuel-cells for naval use and prototyping their use onboard passenger ships.

The CNR-INM institute (formally called Insean), a public research and development body belonging to the “Consiglio Nazionale delle Ricerche” aims at the improvement of performance, safety, and security of the different kinds of vessels. It is a very valuable support for the research and development of smaller yards, besides the R&D of the major shipbuilding companies.

## 5.4 Decarbonization

The Green Shipping Ministerial Decree<sup>16</sup> provides for loans of EUR 500 million in total, for the period 2021-2026 to renovate or build commercial ships, excluding cruise ships, fishing boats, military vessels, leisure boats and floating devices.

The measure obtained the approval of the Directorate General for Competition (DG COMP) in November 2022. 89 applications were submitted for fleet renewal and modernization interventions for a total of 22 companies' beneficiaries were eligible for a total amount of 185 million euros.

The funding is not specifically directed to the shipbuilding industry. The objective of the investment is to encourage the purchase of new ships or the modernization of existing (or under construction) fleets by shipowners operating in Italian and European ports, in order to ensure better environmental performance and a significant reduction in emissions polluting ships, even in ports, with interventions such as latest generation propulsion systems, electric batteries, hybrid or hydrodynamically innovative solutions, digital control systems or materials sustainability.

The funding aims to improve the sustainability of the shipping, by helping:

- adoption of fuels with zero greenhouse gas emissions,
- adoption of reduced GHG emission fuels, utilization of CO<sub>2</sub> capturing/storing and exhaust gas scrubber devices,
- increase the onboard storage, production, and utilization of electricity for naval propulsion,
- energy saving application of new technologies to reduce the general energy consumption of the ship,
- application aimed at energy recovery, wind energy utilization,
- application aimed to reduce sound pollution, etc.

The Italian support measure focuses on promoting technological improvement, including for decarbonization in the maritime sector. Given the large number of cruise ship completions, the innovation for the cruise ships is highly dependent on this county's measures.

## 5.5 Social and labour policy

The DPCM 29 December 2022<sup>17</sup>, entered into force on 13 January 2023, established the annual share of non-EU citizens allowed to enter Italy with work permits. This share is quantified by the government, according to the request coming from the various Italian economic sectors.

In 2023, the shipbuilding cluster proposed to receive a shared part of the total, but at this moment it is impossible to establish how many non-EU workers will be employed in shipbuilding among the 30.105 granted permits which are intended for jobs such as truck drivers, building workers and agri-food chain employees.

The procedure for working permits is based on the demand submitted in one “click day” organized by the Interior Ministry<sup>18</sup>, in coordination with the Labor Ministry<sup>19</sup>. For the administrative year 2022, the amount of work permits granted to non-EU citizens, intended for the shipbuilding industry, represents 11% of the total, amounting to 3.331 units.

## 6. Conclusion

The Italian shipbuilding industry has responded flexibly to and overcame the various challenges, as described below:

In response to the decline in the Italian shipbuilding industry's market share due to the rise of East Asia since the 20th century, it has specialized its main construction in cruise and passenger ships.

In response to the strong decline in 2014 and 2015, the country steered the shipbuilding industry towards acquiring foreign demand.

During the Covid-19 pandemic, the shipbuilders managed to minimize cancellations and/or negotiated the postponement of the construction of some of the new ships ordered, based on the strategic and operational skills of its managers and its ability to interact with shipowners.

The largest player in the Italian shipbuilding industry is Fincantieri, which is one of the world's leading shipbuilders. It has also implemented partnerships with small and medium-sized shipbuilding enterprises, which makes it a key player in driving the development of the Italian shipbuilding industry.

The Italian shipbuilding industry is characterized by the construction of very specialized types of vessels, with certain shipyards taking the lead. The Italian government's support measures could have a significant impact on the shipbuilding market, particularly on the cruise ship market. The Italian government has provided support to the shipbuilding industry based on WTO rules and EU regulations, and it intends to implement minimal intervention in the market. It is expected to continue such efforts and the government needs to fully take into account the impact on the market while developing support measures.

The majority of Fincantieri's shares are held by a subsidiary of Cassa Depositi e Prestiti S.p.A., which is a prominent public share Italian investment bank, and the governance has no direct links with the government. The support measures for the shipbuilder are transparent under Italian regulations and it does not benefit from any State economic interventions nor specific public financial support. However, the Italian government needs to monitor the discussion on state-owned enterprises in the WTO closely and should consider its support measures carefully.

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<sup>2</sup> KOTRA Overseas Market News Product & Industry,  
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<sup>3</sup> According to the Cruise Lines International Association (CLIA), the number of Mediterranean cruise tourists in 2018 totalled 4 million, an increase of 8% year-on-year, and accounting for 14% of global cruise tourism.

<sup>4</sup> Fincantieri Annual Report, 2022

<sup>5</sup> G7 Leaders' Statement on Economic Resilience and Economic Security (May 2020, 2023)

<sup>6</sup> [https://trasparenza.mit.gov.it/archivio13\\_strutture\\_0\\_14351.html](https://trasparenza.mit.gov.it/archivio13_strutture_0_14351.html) per le opere pubbliche, le politiche abitative e urbane, le infrastrutture idriche e le risorse umane e strumentali

<sup>7</sup> [https://trasparenza.mit.gov.it/archivio13\\_strutture\\_-1\\_14303.html](https://trasparenza.mit.gov.it/archivio13_strutture_-1_14303.html)

<sup>8</sup> [https://trasparenza.mit.gov.it/archivio13\\_strutture\\_-1\\_14294.html](https://trasparenza.mit.gov.it/archivio13_strutture_-1_14294.html)

<sup>9</sup> <https://www.gazzettaufficiale.it/eli/id/1989/06/21/089G0305/sg> and subsequent amendments

<sup>10</sup> Article 1, paras 125 to 129 of Law No 124 of 2017 for market and competition ('Legge annuale per il mercato e la concorrenza') as modified by the law-decree No 34/2019 ('Decreto legge crescita') and the law-decree No 34/2019 ('Decreto riapertura').

<sup>11</sup> Note that this covers the support received from Italian public administrations and other entities, such as corporate entities in public control. Support having a general character is not subject to the disclosure requirement.

<sup>12</sup> OECD(2023), Government support in industrial sectors: A synthesis report, OECD Trade Policy Paper, no.270

<sup>13</sup> <https://www.simest.it/>

<sup>14</sup> <https://www.sace.it/>

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<sup>17</sup> DPCM 29 December 2022, so called "decreto flussi" established a quote of 30.105 extra EU citizen allowed to get a working permit. A fraction of these will be employed by the Italian shipbuilding industry, <https://www.interno.gov.it/it/notizie/pubblicato-gu-decreto-flussi-2022-lingresso-lavoratori-non-comunitari>

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