SUBSIDIES

Notifications Pursuant to Article XVI:1

Addendum

ITALY

1. Like earlier notifications, the present one does not cover products which come under the common policy if the EEC; the notification in respect of those will be transmitted by the Commission of the EEC.

2. The earlier notifications reported only indirect aid granted to exports of certain agricultural products through reduced freight rates over the national railway system.

As already done in connexion with the work of the Committee on Trade in Industrial Products (Working Group 1 on non-tariff barriers), it now seems appropriate also to include here some information regarding the subsidies granted in Italy to film producers and to ship-building.

Reduced freight rates over the national railway system

3. The facilities provided under Special Tariff No. 251 of the State railways are no longer applicable to foodstuffs produced in the southern regions of Italy; those facilities came to an end in March 1967, when the special tariff was cancelled.

Consequently, there are no longer any special railway freight rates in Italy for agricultural products intended for export.

The only facilities still granted in this respect are those provided under Exceptional Tariff No. 201, series C of the State railways for consignments of agricultural products from the central and southern regions of Italy.

These facilities were established having regard to the essentially agricultural character of the economy of the regions concerned, and in order to encourage the gradual elimination of structural disequilibria, while contributing to improve the standard of living in those regions.
Briefly, the reductions provided under Tariff No. 201 are as follows:

(a) Consignments subject to a minimum weight of six tons:
   - no reduction for distances of less than 700 km.;
   - reduction of approximately 5 per cent for distances not exceeding 1,000 km. and approximately 10 per cent for journeys exceeding 1,000 km.;

(b) Consignments subject to a minimum rate of ten tons:
   - reduction of approximately 2.5 per cent for distances not exceeding 700 km.;
   - reduction of approximately 7.5 per cent for distances of more than 700 km. but not more than 1,000 km.;
   - reduction of approximately 12 per cent for distances of more than 1,000 km.

The difference in price between the ordinary tariff and the exceptional tariff is approximately Lit 900-1,000 per ton for the longest distances. Reductions of this magnitude cannot of course be considered as measures designed to encourage increased agricultural production in the regions concerned.

On the other hand, the reductions are of particular interest mainly for small undertakings, whose activities contribute a great deal to determining the level of agricultural production in the southern regions.

Subsidy to film producers

4. The subsidies are granted for the purpose of raising the cultural content of film shows. They are governed by Act No. 1.213 of 4 November 1965. Under that Act, the producer of a full-length film which fulfils specific qualifications (technical, artistic, cultural, etc.) for being accepted for compulsory showing receives a subsidy amounting to 13 per cent of the gross box-office receipts (before taxes) for five years from the date of issue. No export subsidy is granted.

Lit 40,000 million are earmarked in the national budget for the grant of subsidies to full-length films. Having regard to the fact that the subsidy is proportionate to box-office receipts for the showing of films, it is not possible to estimate any amount per unit for the subsidy.

These subsidies do not affect normal market conditions.
Statistics are given below of production, exports, imports and box-office receipts (before tax) for the three most recent years.

(a) Production:
- 1969: 253 films
- 1970: 262 films
- 1971: 245 films

(b) Exports:
- 1969: 4,618 films
- 1970: 3,895 films
- 1971: 2,495 films

(c) Imports:
- 1969: 375 films
- 1970: 203 films
- 1971: 168 films

(d) Box-office receipts (before tax) for foreign and Italian films in the Italian market:
- 1969: approximately Lit 179,000 million (for Italian films, Lit 105,000 million i.e. approximately 59 per cent)
- 1970: Lit 181,000 million approximately (for Italian films, approximately Lit 109,000 million or 60 per cent)
- 1971: approximately Lit 200,000 million (for Italian films, approximately Lit 115,000 million, i.e. about 58 per cent).

No statistics are available for the year immediately preceding the establishment of the subsidy (this was in 1938 under Legislative Decree No. 1061 of 16 June 1938).

Subsidies to ship-building

5. Under Act No. 19 of 4 January 1968, subsidies were granted to the shipping industry for the construction and equipment of metal-hulled merchant vessels. Under the Act, the subsidy for each vessel was not less than 10 per cent of the cost of construction. The amount of each subsidy was calculated on the basis of percentages indicated in a table annexed to the Act.

The same Act also stipulated that where foreign manufactures imported duty-free or used products were used in the construction, the amount of the subsidy would be reduced by 10 per cent of the value of such manufactures or products. Provision was made for other reductions in the event that foreign manufactures incorporated in the propulsion machinery accounted for more than 40 per cent of the aggregate weight thereof.
Under the Act, subsidies could be granted up to a maximum of Lit 89,600 million.

The Act was valid for the period 1967-71, and a new bill on this subject is to be presented to Parliament.

Loans at preferential rates are granted to the shipping industry under Act No. 1 of 9 January 1962. They are granted by a publicly owned finance corporation, I.M.I., whose normal commercial charge for loans is subsidized by the Government.

Under the Act, I.M.I. may grant loans to ship-owners for up to fifteen years for the construction, modification or repair of merchant vessels. The limit of the loans is set at 50 per cent of the cost of construction, or exceptionally 60 per cent in the case of vessels primarily designed to carry passengers and of a tonnage of not less than 20,000 tons, or vessels intended for ocean fishing. The State contributes 3.5 per cent per annum on the commercial interest payment. These loans are not discriminatory, as no legal provisions oblige Italian ship-owners to order from Italian shipyards.

Lastly, under Act No. 622 of 24 July 1959 (extended by Act No. 389 of 24 May 1967 and Act No. 362 of 25 May 1970), the Italian Government encourages scrapping of old ships and building of new vessels in order to modernize the merchant marine, by granting a premium of Lit 35,000 per ton for replacement. The premium is extended to ship-owners with ships at least fifteen years old who order new vessels of a tonnage equal to at least 50 per cent of the vessels to be scrapped.