

European Commission

Review of the Common Transport Policy

Task 2.1: Italy

August 2009

Prepared for:

European Commission
Directorate-General Energy and Transport
DM 28 - 0/110
Avenue du Bourget, 1
B-1049 Brussels (Evere)
Belgium

Prepared by:

Steer Davies Gleave
28-32 Upper Ground
London
SE1 9PD

+44 (0)20 7910 5000
www.steerdaviesgleave.com

Contents

1	INTRODUCTION	1
2	MARKET OPENING	6
3	LEVEL OF SERVICE QUALITY AND USER ASPECTS SUCH AS PASSENGER RIGHTS	15
4	ENVIRONMENTAL SUSTAINABILITY	24
5	CONCLUSIONS	33

FIGURES

Figure 1.1	GDP vs. growth in transportation sector	5
Figure 2.1	Number of rail licences and safety certificates issued in period 2000-08	10
Figure 2.2	Rail freight market share between 1995 and 2007	11
Figure 2.3	Rail passenger market share between 1995 and 2007	11
Figure 2.4	Rail freight volumes between 1995 and 2007 (1995=100)	12
Figure 2.5	Rail passenger volumes between 1995 and 2007 (1995=100)	12
Figure 3.1	Notification of infringements issued by ENAC	18
Figure 3.2	Departures delayed more than 15 minutes (%) - Domestic Flights	22
Figure 4.1	GDP Performance against Transport Emissions	29
Figure 4.2	Trend of GHG emissions from transport in Italy	30

TABLES

Table 1.1	Passenger land transport demand 1995-2007	3
Table 1.2	Freight land transport demand 1995-2007	4
Table 2.1	Assessment of measures for market opening	6
Table 3.1	Assessment of measures for passenger rights	15
Table 3.2	Penalties for non-compliance with Regulation 261/2004 in Italy	17
Table 3.3	Penalties for non-compliance with Regulation 1107/2006 in Italy	19
Table 4.1	Assessment of measures for environmental sustainability	24

1 Introduction

1.1 This paper builds on the assessment of individual objectives in Task 1 to take a more in-depth look at what the Common Transport Policy has achieved in Italy against the following objectives :

- Market Opening
- Service Quality and User Rights
- Environmental Sustainability.

1.2 It concludes with a broader statement of the overall key impacts of the CTP for Italy.

1.3 For context, this introductory section presents a brief overview of Italian transport policy and of the most significant transport trends in Italy in the past decade.

Transport policy: institutional set up

1.4 Following a reform of the Constitution in 2001, in Italy the responsibility of setting transport policy is shared between the national and regional governments.

1.5 At national level, transport policy is primarily determined by the Ministry of Infrastructure and Transport, which is responsible for both policy and oversight of national transport projects.

1.6 Central government is also responsible for national roads and all motorways. In the rail sector between 2000 and 2001 Italy implemented the EU Directive 91/440/EC by creating two separate organisations Rete Ferroviaria Italiana (RFI) and Trenitalia, both controlled by the public owned holding company Ferrovie dello Stato. RFI is the infrastructure manager, while Trenitalia operates both passenger and freight rail transport together with a number of other operators.

1.7 In the road sector ANAS S.p.A., a public owned company controlled by the Ministry of Economy, is responsible for the operation and management of roads of national interest, though it actually operates only a minor part of the motorway network (about 15%) with the rest being managed through concession agreements.

1.8 The central government regulates national air and maritime transport. In the aviation sector ENAC (the Italian Civil Aviation Authority) is the regulatory body responsible for air transport activities, overseen by the Ministry of Transport, while ENAV S.p.A. is the public owned company which undertakes air traffic control. In the maritime sector there are 25 port authorities (Autorità Portuali), which are overseen by the Ministry of Transport.

1.9 Following a process of devolution begun in the 1990s and through the reform of the Constitution in 2001, the Regional governments are now responsible for 30,000 km of road network and for regional rail services and infrastructure. The regions are also involved in the planning of regional airports and their access.

1.10 At local level, both provinces and municipalities have competences in road infrastructure in their area. The main role of the administrations is in the organisation of interurban (provinces) and urban (municipalities) public transport services. They are responsible for (re)structuring municipal bus operators and

tendering their services. Larger cities can also choose to implement road pricing schemes.

Transport policy: application of European policies

- 1.11 In order to modernise the Italian transport sector in terms of both infrastructure and management techniques, the Italian Government adopted in 2001 the National Transport and Logistics Plan (Piano Generale dei Trasporti e della Logistica, PGTL).
- 1.12 Most of the strategic objectives of the PGTL were aligned with the objectives set out in the EU 2001 Transport White Paper, i.e.:
 - Meet transport demand and improve the quality of transport services while ensuring environmental sustainability;
 - Improve transport safety;
 - Optimize the use of scarce resources in providing infrastructure and transport services; and
 - Ensure territorial equality (with reference, in particular, to diminishing disparities between northern and southern Italy) as well as improving connections with European Mediterranean regions.
- 1.13 More specifically, with respect to the EU objective of shifting the balance between modes of transport, the PGTL aimed at improving the efficiency of the logistics system by introducing rules to plan logistics locations more efficiently. It also supported freight modal shift from road to rail (through the introduction of competition in rail) and passenger modal shift from air and road to rail (mainly through the development of a high speed network).
- 1.14 At the same time (2001), with the aim of streamlining the selection and authorization procedures for major infrastructure projects, the Government also approved the Legge Obiettivo (L. 443/2001). This promoted a more efficient selection procedure and a prioritised “shopping list” of the transport infrastructure investments of strategic importance for the whole country.
- 1.15 Furthermore, the law introduced two new approaches to infrastructure investment and management aimed at increasing the involvement of the private sector in the financing of major transport infrastructure: the public private partnership and the General Contractor (a single entity responsible for building and managing infrastructure).
- 1.16 At the end of 2007, about 66% of the resources assigned to the strategic investments under the Legge Obiettivo (for transport about €107 bil. out of €162 bil.) had been approved by the Government; however construction had begun only on 6% of total programmed investments, with only 2% registering a degree of “work in progress” that exceeded 60%.
- 1.17 The main aspects that have hindered the achievements of the projects planned by Legge Obiettivo are:
 - The long planning horizons that were necessary for these projects (in 2002 only 10% of projects had suitable planning);
 - Onerous administrative procedures needed to get funding and assign works;

- National budget constraints (i.e. Maastricht constraints) that made it difficult to respect the allocation of the public funding initially committed;
- Administrative difficulties in activating and coordinating funding; and
- Difficulties in attracting private finance.

Transport trends

- 1.18 In Italy the high speed rail network experienced significant growth since 1995, as it tripled its length from 248km in 1995 to 744km in 2008. By contrast, conventional rail network and motorways remained stable in volume, while the main road network and inland waterways registered an increase of about 6% and 7% respectively over this period.
- 1.19 By 2007, the total amount of car passenger kilometres was 17% higher than in 1995. However, in recent years, car demand (measured in passenger kilometres) registered a mixed trend: for instance in 2007 the total amount of private car travel (kms) was 0.9% lower than in 2000, though the previous year it was 2.5% higher than in 2000. This trend was accompanied, though, by a constant increase in car ownership, which moved from 572 cars per thousand inhabitants in 2000 to 598 in 2008. This suggests that there has been a reduction in average car usage (numbers of trips and/or journey length) in the years when a decrease of car passenger kilometres was experienced.

TABLE 1.1 PASSENGER LAND TRANSPORT DEMAND 1995-2007

	Cars	Bus and coach	Railway	Of which High Speed	Urban rail
Bil. passenger km (1995=100)					
1995	615 (100)	87 (100)	44 (100)	1.1 (100)	5 (100)
2000	727 (118)	94 (107)	47 (107)	5.1 (462)	5.6 (106)
2006	693 (113)	103 (118)	46 (105)	8.9 (810)	6.1 (122)
2007	720 (117)	104 (120)	49.6 (113)	8.8 (800)	6.2 (124)
Modal share					
1995	81.9%	11.6%	5.9%		0.7%
2000	83.2%	10.8%	5.4%		0.6%
2006	81.7%	12.1%	5.5%		0.7%
2007	81.8%	11.8%	5.6%		0.7%

Note: values in brackets () are indices (1995=100). High Speed traffic includes both High Speed and long distance rail, which runs on the conventional rail network. Source: Transport statistical yearbook 2009 - DG TREN

- 1.20 Similarly, in the rail sector up to 2006, a decrease in passenger kilometres has been accompanied by an increase in the total number of transported passengers (from 478 mil. in 2000 to 540 in 2006). This implied a decrease in average journey length, which, according to the national transport statistics moved from 99 to 86 kilometres per passenger between 2000 and 2006. However, rail passenger demand registered a significant increase in 2007 (+7%), which, together with the recent growth in bus and coach usage, has raised public transport mode share.
- 1.21 In summary, between 1995 and 2000 the long-term trend of car growth outstripping public transport growth continued to squeeze mode share for rail and bus. However, there is evidence since 2000 that this trend has reversed and mode shift is moving in the right policy direction.
- 1.22 Domestic and international air passenger demand grew by an average of 5% p.a. between 2000 and 2007 reaching a total volume of 123 million passengers in 2007.
- 1.23 In the freight market, road haulage and pipeline transport volumes grew significantly in the 1995-2007 period, while railway volumes were stable until more recent years, when they started growing again (as discussed in Chapter 2). Non land based freight transport also experienced significant growth: air freight and sea freight carried tonnes have been increasing, respectively, at about 3% and 2% per year since 2000, confirming a trend already registered in the end of the 1990s.

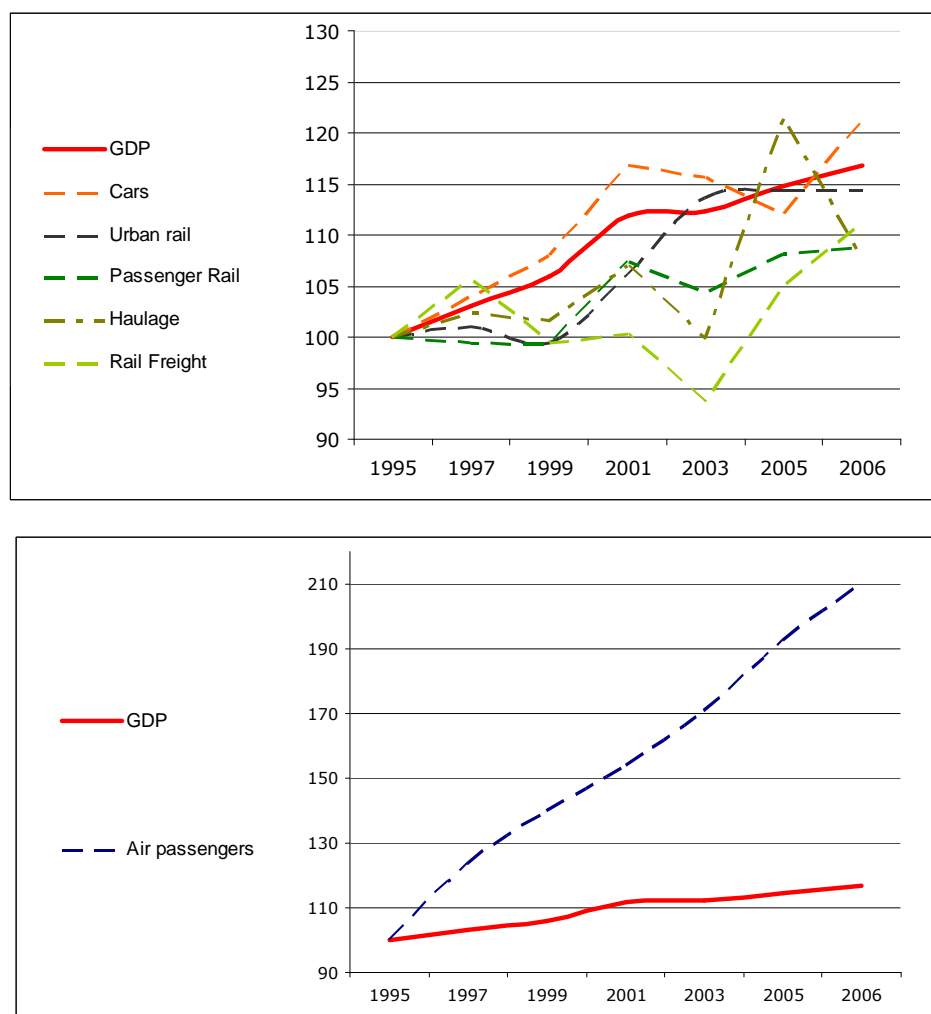
TABLE 1.2 FREIGHT LAND TRANSPORT DEMAND 1995-2007

	Road haulage	Railway	Inland waterways	Pipelines
Bil TKM (1995=100)				
1995	174 (100)	22 (100)	0.1 (100)	10 (100)
2000	185 (106)	23 (105)	0.2 (135)	10 (107)
2007	191.9 (110)	25.3 (115)	0.1 (100)	11.54 (115)
Modal share				
1995	84.4%	10.7%	0.05%	4.9%
2000	84.8%	10.5%	0.09%	4.6%
2007	83.9%	11.1%	0.04%	5.0%

Note: values in brackets () are indices (1995=100). Road haulage modal share includes all activities by vehicles registered in Italy, undertaken inside and outside Italy, but it does not include activities by foreign hauliers undertaken inside Italy.
Source: Transport statistical yearbook 2009 - DG TREN

- 1.24 Finally, with respect to the relation between transport demand growth and GDP growth, the figures below shows that in Italy air passenger demand has been growing significantly above GDP growth. Car demand growth outstripped GDP growth between 1995 and 2001 but then fell back in relative terms until 2005. Public transport and freight growth has, in overall terms, lagged behind GDP growth over the period under review but has recovered in relative terms in recent years.

FIGURE 1.1 GDP VS. GROWTH IN TRANSPORTATION SECTOR



Source: Elaboration on Italian National Statistics and Transport statistical yearbook 2009 - DG TREN

Structure for the remainder of the analysis

1.25 The purpose of the case study is to identify:

- where the responsibility for implementation of elements of the Common Transport Policy rests within the EU Member State, how effective this implementation has been; and
- whether the wider transport policy that has been followed by the EU Member State is consistent with the Common Transport Policy.

1.26 In what follows we present the analysis undertaken for the following policy areas:

- Market Opening;
- Service Quality and User Rights;
- Environmental Sustainability.

2 Market opening

2.1 Italian policy-makers' approach to liberalisation and competition in the transport sector has been somewhat erratic across the various transport sectors and has been developed following three broad categories:

- Those CTP measures which have been transposed with significant delays or are still outstanding;
- Those measures where Italy is ahead of other Member States and has adopted more pro-competitive measures than the minimum required by the CTP; and
- Cases where, pro-competitive and anti-competitive measures still coexist in the same regulatory framework, thus leading to significant uncertainty in the market and hindering the opening of transport markets.

2.2 The following paragraphs contain a review of the implementation of market opening policies defined by the CTP in the Italian legislative and regulatory framework and will highlight any significant discrepancies.

Qualitative analysis

2.3 The qualitative analysis is undertaken through an assessment of the progress towards the main measure identified for market opening in Task 1 analysis. The following sections provide a in depth analysis of the measures taken for market opening in Italy, describing also the related actions taken in the field of market regulation.

TABLE 2.1 ASSESSMENT OF MEASURES FOR MARKET OPENING

Measure	Assessment
Improving the framework conditions for market opening in rail freight transport	<p>The accounting separation of infrastructure management from rail services has occurred.</p> <p>The First Railway Package was transposed into national law in 2003. However, the secondary legislation necessary for its full implementation still has to be finalised. The Commission opened infringement proceedings against Italy disputing the correct implementation of the First Railway Package, particularly in regard to the independence of essential functions carried out by the infrastructure manager.</p> <p>Furthermore, there are still concerns about the pro-competitive nature of the FS Group, the State-owned rail group, which is the holding company owning both the rail infrastructure manager (RFI) and the rail operator (Trenitalia). Yet new entrants are competing with Trenitalia's freight division on the main rail corridors and existing regional operators are beginning to offer services on the national infrastructure.</p>

Measure	Assessment
Opening up the national and international rail freight market	<p>Following Law 388/2000, the Italian rail freight market is open to competition. However, as mentioned above, secondary legislation ensuring greater certainty, transparency and the removal of some specific barriers to entry and to operation still has to be finalised.</p> <p>In addition, competition is limited by bottlenecks on the key rail corridors and there are concerns about the market structure. The cherry-picking strategy enacted by new entrants does not allow Trenitalia to cross-subsidise the losses resulting from unprofitable freight services.</p> <p>As a result, Trenitalia is significantly reducing freight services on secondary corridors and in Southern Italy and is about to discontinue freight services in Sicily and Sardinia.</p>
Opening up the international rail passenger market	<p>Law 388/2000 opened the market for international and national passenger services. However, at least until the Third Rail Package is transposed, the reciprocity clauses remain and thus international passenger market is not fully open.</p> <p>To date, international rail passenger services are either directly operated by Trenitalia or they are operated in partnership with the main operators in neighbouring countries, such as Cisalpino and Artesia, which provide international services between Italy and Switzerland and France, respectively.</p> <p>However, Trenitalia is progressively withdrawing from these international services.</p>
Propose a common legal framework for the provision of port services	<p>The EU has not been able to set a common legislative framework for the provision of port services.</p> <p>Yet, in Italy Law 84/1994 introduced some competition for port services and allocated a major role to Port Authorities for the organisation and regulation of these services.</p> <p>However, there are still problems with respect to the removal of barriers to entry, mostly related to the social clauses inserted in the above mentioned Law, related to capacity constraints at seaports and to the lobbying activity of port companies (see below).</p>

2.4 In order to assess the effectiveness of the measures taken by Italy, we have reviewed:

- the specific measures Italy has taken to implement the EU measures discussed in for market opening in Task 1 analysis;
- other policy measures Italy has taken relating to market opening;
- whether these policy measures have had any impact in Italy.

Specific measures taken by Italy to implement/enforce EU legislation

2.5 While some Member States had already liberalised and introduced competition in transport services before the 1992 White Paper, the Italian transport sector in the

early 1990s was still treated as an extension of government and was dominated by publicly-owned and controlled operators, with the exception of road transport.

- 2.6 In the rail sector, both freight and passenger services were provided by the vertically integrated, State-owned operator: Ferrovie dello Stato, although some small regional operators, most of them also publicly-owned, provided local rail services.
- 2.7 Directives 91/440/EC, and 95/18 & 19/EC were transposed with significant delay in 1999 through two Presidential Decrees (277/1998 and 146/1999). In 2000, prior to the publication of the First and Second Railway Packages and extending the reach beyond the requirements of the Third Railway Package, a national law was published that completely opened the rail market, for all types of services, although a reciprocity clause was introduced to prevent the entry of operators established in countries where similar liberalisation had not occurred.
- 2.8 In 2003, Legislative Decree 188/2003 on the implementation of the First Railway package transposed the general requirements of the relevant EU directives that had not been taken into consideration in the legislation mentioned above as well as rearranging the existing national legislation.
- 2.9 However, not all the provisions required within the First Railway Package have been fully implemented. There are some areas (charging and procedures for rail related services) which have not been fully applied as the relevant secondary legislation has not been published. Furthermore, the Commission has initiated infringement proceedings in relation to the application of the Directive.
- 2.10 The application of EU regulations dealing with market opening for the air and maritime sectors in Italy has been substantially influenced by the presence of the major Italian operators in the two sectors, respectively Alitalia and Tirrenia. For example Regulation (CEE) 3577/92, applying the principle of a free market in maritime transport within Member States, could not be fully applied because of a pre-existing long-term exclusive agreement between the Italian Government and Tirrenia due to expire in 2008 (but recently extended to the end of 2009). The crisis experienced both by Alitalia and Tirrenia led to the recent privatisation of the former, and is likely to lead to the same outcome in the case of the latter, which has implications on the current and future degree of competition in the Italian market (as discussed in the conclusion section).
- 2.11 The implementation of Directive 96/67/EC on the liberalisation of ground handling services at airports with Legislative Decree 18/1990 is also a case in point: the European text was transposed into national law but with the addition of a specific social clause aimed at safeguarding employment in the industry. This clause led to the Commission opening infraction proceedings against Italy, ending with a confirmation of non compliance.

Other policy measures undertaken by Italy relating to market opening

- 2.12 In the rail sector, market opening has been taken further than the requirements at EU level as there is complete market opening in freight and passenger services subject to reciprocity. As more Directives are implemented the scope of this reciprocity clause is being reduced, but in at least one occasion its use has been threatened to impede the entry of a company operating in a country still not open to competition. As a result, that company chose not to enter.

- 2.13 In relation to those modes that have not as yet had direct EU involvement in market opening, the same contradictions apply. The coach transport market was heavily regulated until 2005, and it was based on long term exclusive concessions and regulated fares which excluded the possibility of competition. Legislative Decree 285/2005 liberalised these services, although other barriers remained until 2007, which in practice precluded new entry.
- 2.14 Road haulage in Italy was and still is characterised by a large number of very small operators. Until 2006, access was restricted to those with a licence (limited by a quota) and was subject to regulated prices. However, the operators' low bargaining power meant that regulated prices were systematically higher than market prices, so that these regulated prices were never applied, and licence quotas disincentivised mergers.
- 2.15 This system was modified by Legislative Decree 286/2005 and Law 244/2007 which replaced regulated rates with rates freely set by operators (as from 2006) and liberalised access to the road haulage market (as from 2008). However, recently, a new law brought back some price regulation to protect operators from sudden increases in fuel prices: Law 133/2008 introduced an automated mechanism (whose features are still to be defined) for haulage rates directly related to fuel prices, to reduce operators' exposure to this risk, whilst the rest of the price is still freely set by the market.
- 2.16 The Italian Law on seaports (Law 84/1994) introduced competition in port services. These services were previously operated in a monopoly regime by port companies and had other barriers to entry.
- 2.17 This law cancelled the exclusive rights enjoyed by port companies, imposed their corporatisation and created Port Authorities, set up with the primary functions of being management and regulation bodies in the major Italian ports, in the market for port services. Market entry is now subject to obtaining the relevant authorisations, the number of which can be restricted where there are capacity constraints. However, "ancillary" port services such as piloting, towing, mooring etc. are not liberalised as a result of safety concerns, as well as labour market power of port companies.
- 2.18 Finally, at the end of the '90s, Legislative Decree 422/97 enforced regulated competition for local public transport services operated with all transport modes, but this was in practice never achieved mainly as a result of the absence of clear political support in favour of liberalisation. The framework set at the EU level by Regulation (EC) 1370/2007 is likely to bring further changes in national legislation.

Impact of the policy measures within Italy

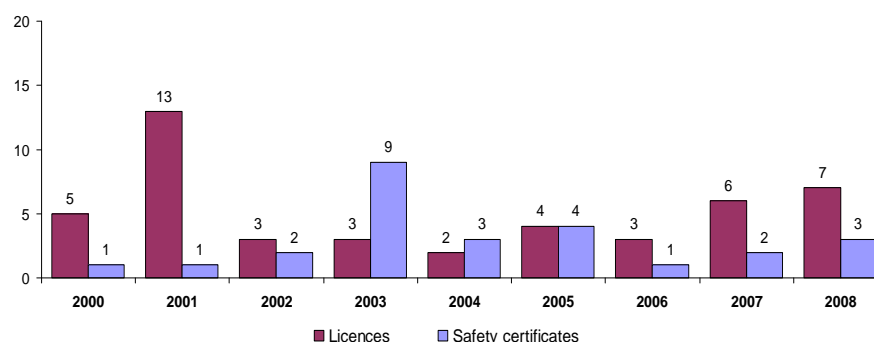
- 2.19 The market for air services is fully liberalised, although the recent privatisation of Alitalia, followed by its merger with AirOne, led to the creation of a quasi-monopoly on the key Rome-Milan route. In addition, the privatisation was also accompanied by the suspension of competition law for two years. On this issue, the Commission is currently investigating if State Aid regulations have been breached by:
 - The loan received by Alitalia before the privatisation, which was later transformed into share capital;
 - The manner in which the privatisation was carried out, with the split of Alitalia into a "good company" and a "bad company";

- The suspension of the application of the competition law to the new Alitalia for the two years following the privatisation process, which is likely to distort competition on some key routes.
- 2.20 Despite this situation, Italy has seen a substantial increase in services by low cost carriers (LCCs); some LCCs have also managed to operate profitable services on routes where other operators are subject to Public Service Obligations.
- 2.21 Rail services are at a crucial crossroad: the backbone of the Italian high speed network is expected to be completed by December 2009. By 2011, at least one new entrant will compete with Trenitalia on the market for high speed passenger services; other companies are also expressing their interest in entering the market of medium distance high quality passenger services.
- 2.22 In contrast, it is also true that regional passenger services suffer from severe delays, obsolete rolling stock and insufficient integration with other transport modes. These services, mostly paid for by regional funds, also suffer from the lack of available public funding.
- 2.23 As far as freight services are concerned, Trenitalia has seen its best services cherry-picked by new entrants and foreign incumbents on key rail corridors.

Quantitative analysis

- 2.24 The figure below shows the trend of rail licences and safety certificates issued between 2000 and 2008.
- 2.25 To date, 46 valid rail licences have been issued by the Italian Ministry of Transport, whilst just 26 safety certificates (which remain valid) have been issued by RFI, the national infrastructure manager, and ANSF, the National Rail Safety Agency¹. The discrepancy may be explained by two factors:
- Most existing regional operators chose to apply for the licence, but since they do not operate services on the national infrastructure they do not need a safety certificate;
 - Many new entrants applied for the licence, but are still to start operations.

FIGURE 2.1 NUMBER OF RAIL LICENCES AND SAFETY CERTIFICATES ISSUED IN PERIOD 2000-08

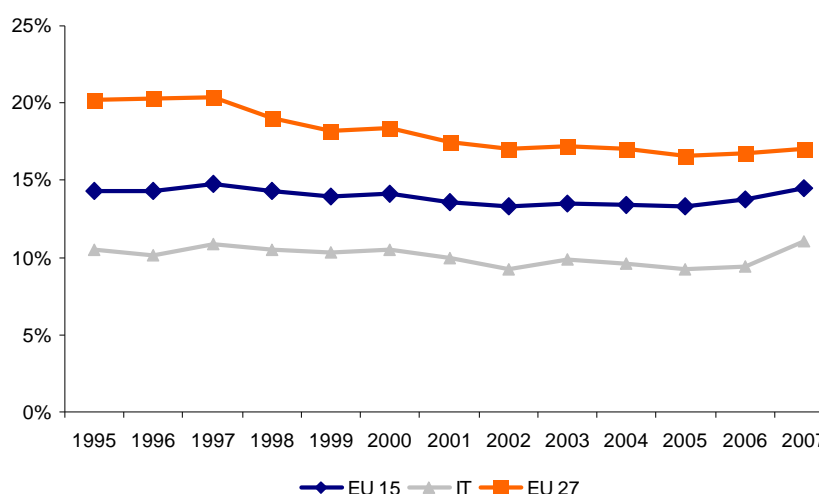


Source: Steer Davies Gleave elaboration from RFI and ANSF

¹ With the Legislative Decree 162/2007, which transposes the Second Railway Package in the Italian legislation, safety certification has been transferred from RFI to the newly created ANSF.

- 2.26 The figure below shows the change in the rail market share in the freight and passenger markets compared to other inland modes of transport. It can be seen that there has been no significant modal shift to railways.

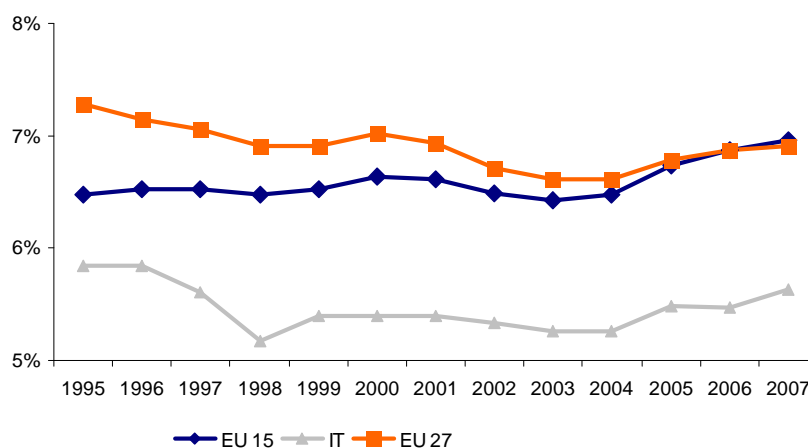
FIGURE 2.2 RAIL FREIGHT MARKET SHARE BETWEEN 1995 AND 2007



Source: Transport statistical yearbook 2009 - DG TREN. Note data for road freight includes all journeys by Italian hauliers (inside and outside Italy) but not journeys by foreign hauliers within Italy, and this may impact on the market share calculation.

- 2.27 In Italy, the share of the passenger market decreased between 1995 and 2004, though it registered an increase in the last years, following a pattern experienced also in the EU 15. The opening of the high speed line between Turin and Salerno is expected to encourage further entry into the market and to promote an increase of rail market share (at the expenses of car and air transport).

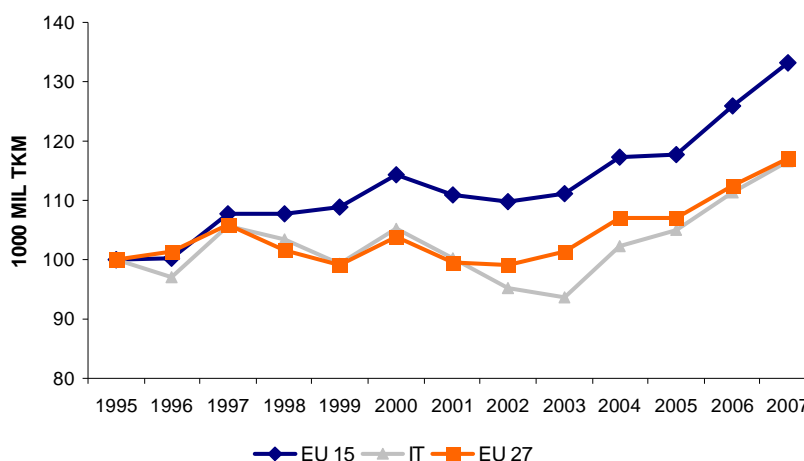
FIGURE 2.3 RAIL PASSENGER MARKET SHARE BETWEEN 1995 AND 2007



Source: Transport statistical yearbook 2009 - DG TREN

- 2.28 The figure below shows the trend of freight and passenger volumes² transported by rail from 1995 onwards. While in the EU15 countries, rail volumes increased between 20% and 30%, Trenitalia's traffic volumes declined, with lows for freight in 2003 and for passenger services in 1998.

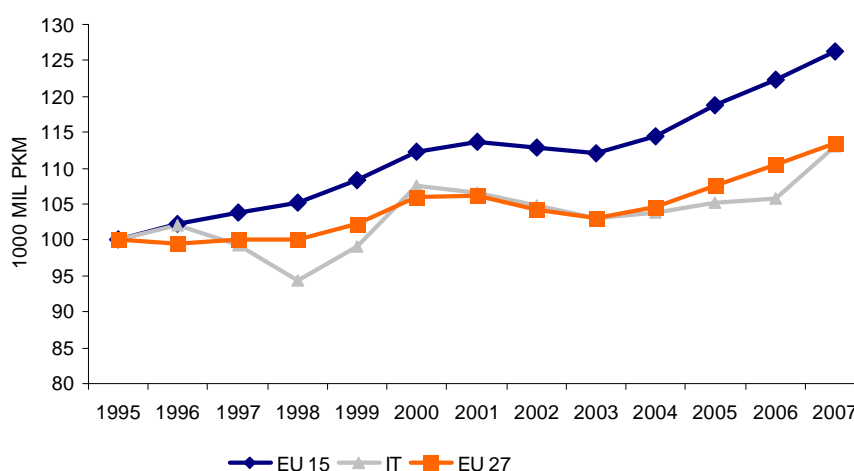
FIGURE 2.4 RAIL FREIGHT VOLUMES BETWEEN 1995 AND 2007 (1995=100)



Source: Transport statistical yearbook 2009 - DG TREN

- 2.29 After the 2003 downturn, freight volumes started increasing again and in 2006 they were actually 10% higher than in 1995. The increase registered in the last years is mainly explained by the increase in freight volumes transported by new entrants, which tripled between 2004 and 2006 (moving from 1087 to 3178 million tons kilometres), though they still represent only 12% of the Italian rail freight transport market³.

FIGURE 2.5 RAIL PASSENGER VOLUMES BETWEEN 1995 AND 2007 (1995=100)



Source: Transport statistical yearbook 2009 - DG TREN

² Respectively measured in tkm and pkm.

³ Source: Italian Transport Statistical Yearbook 2007.

- 2.30 As for passenger transport, provisional data shown that volumes in 2007 registered a significant growth with respect to the previous year (6.7%), and overall their value was 13% higher than in 1995.

Conclusions

The overall impact of the policy

- 2.31 Despite the uncertainties mentioned above, the market for transport services in Italy has radically changed since the 1990s. The introduction of competition, particularly for air services, has made a significant contribution to improving mobility in peripheral areas and in major islands. It is likely that this model will be extended to the maritime sector where the crisis at the incumbent operator is a burden on the development of these services.
- 2.32 As far as rail services are concerned, while the appropriate framework has been set up, the benefits of competition have not been fully realised even though it is a reality for freight services and soon will be for long distance passenger services.
- 2.33 Italian hauliers are currently facing competition from big players established in Western Europe countries, as well as by small operators based in new Member States and neighbouring countries. To date, the regulatory framework has prevented significant mergers, and policy-makers are often tempted to introduce protection measures to limit free competition.
- 2.34 As market opening has only recently taken place, and has to date been ineffective, coach services and local public transport suffers from excessive fragmentation and long-lasting inefficiencies. While there are good prospects for the development of coach services, LPT still suffers from being regulated by a very advanced pro-competitive legislation, which policy-makers have been reluctant to apply.

Contemporary developments

- 2.35 Following the privatisation of Alitalia, it is likely that the Government pursues a similar strategy with Tirrenia.
- 2.36 As mentioned above, the backbone of the high speed network will be completed by the end of 2009. Trenitalia is already offering high speed passenger services operated on the sections which are already open to traffic, and are drawing passengers away from air services.
- 2.37 However, new entry has been hindered by the presence of bottlenecks, particularly over the Alpine crossings and in Southern Italy, which will only be resolved in the long term. At the same time, Trenitalia is seeking financial support in order to avoid the withdrawal of services in Southern Italy and major islands.
- 2.38 After the approval of Regulation (EC) 1370/2007, the Government approved a Decree which seemed to reintroduce direct contracting for local public transport services. However, as the relevant legislation has not as yet been published, it is difficult to predict whether competitive tendering will remain as the sole valid procedure for the award of such services.

Lessons learnt and going forward

- 2.39 Italian transport policy as a whole seems not to have a clear long term strategy, as policy makers tend to concentrate on contingencies and short term issues. On the other hand, both incumbents and new entrants are competing fiercely in air and rail freight markets, or are preparing themselves for market opening as in the high speed passenger market.
- 2.40 The CTP has had the unquestionable merit of unblocking the liberalisation process, leading to periods of market reform in Italy which often exceeded the minimum legislative requirements of the CTP. However, this legislative intervention has not always been translated into appropriate implementation as market barriers and market imperfections beyond the legal framework hinder real competition in some sectors, most notably long distance coach services and long distance domestic and international rail services.

3 Level of service quality and user aspects such as passenger rights

- 3.1 The section presents the actions taken by Italy to implement the CTP measures discussed for level of service quality and user aspects such as passenger rights, for which Member States have the responsibility for implementation. It also provides an assessment of the wider transport policy that has been followed by Italy in this field.
- 3.2 Table 3.1. below summarises where Member States have responsibility for implementation of the CTP, and where Italy has taken other measures which are consistent with (or contradict) the policy. Subsequent text expands on this assessment.

TABLE 3.1 ASSESSMENT OF MEASURES FOR PASSENGER RIGHTS

Measures	Assessment
Publish information on the performance of different airlines	<p>This action was to be undertaken by the Commission and there were no specific obligations for the States.</p> <p>However, Italy has established a free customer service-line (“Numero Verde 800898121”) that provides information to passengers on the national and international carriers operating in Italy as well as information on the carriers included in the list of airlines banned within the EU.</p>
Improve passenger protection in case of denied boarding, delays or cancellations	<p>Regulation 261/2004, which requires compensation and assistance to be provided to passengers in the event of air transport delays, cancellations and denied boarding, places a number of obligations on Member States. It requires States to create a National Enforcement Body to handle complaints; and requires the State to introduce sanctions for non-compliance which are effective, proportionate and dissuasive. The Italian Civil Aviation Authority (ENAC) has been designated as the enforcement body for Italy.</p> <p>There are similar obligations in Regulation 1371/2007, on the rights and obligations of rail passengers. This EU regulation, which is directly applicable in all Member States, has not yet come into effect.</p>
Ensure conditions of contract are fair	<p>There are no specific requirements relating to Member States.</p> <p>However, with the adoption of the Legislative Decree n. 206/2005, the Italian legislation on consumer contracts has been revised. A specific section of the Decree specifies the structure and the liability clauses of consumers contracts’ terms and conditions, which applies also to transport ones. In addition, the Decree also regulates Package Holidays.</p> <p>Consumer protection associations provide support to consumers in the complaints they might have with service providers, but to date their role is still very limited and some associations provide help only to members.</p>

Measures	Assessment
Improve enforcement of passenger rights & extend passenger rights to other transport modes	<p>As described above, Regulation 261/2004 requires States to create National Enforcement Bodies and to introduce sanctions. Regulation 1107/2006, on the rights of passengers with reduced mobility travelling by air, imposes a similar requirement, so does Regulation 1371/2007 on the rights and obligations of rail passengers (which has not yet come into effect).</p> <p>No enforcement body has yet been identified for Regulation 1371/2007.</p>
Improve protection of passengers with reduced mobility	<p>As noted above, Regulation 1107/2006 requires Member States to create an enforcement body and to introduce sanctions for non-compliance into national law. This relates to the air transport sector only. As discussed in detail below, ENAC has been identified as the enforcement body.</p> <p>For other transport sectors, there is no European legislation as yet, but measures could have been taken by Member States.</p> <p>In Italy, we have not been able to detect any specific legislative measure targeted at improving protection of passengers with reduced mobility on other transport modes (different from air). However, several public transport operators (e.g Trenitalia, urban public transport operators) have taken specific actions aimed at improving accessibility for this category of users.</p>

3.3 The legislation mentioned above identifies that the Member States have important obligations under Regulation 261/2004 and 1107/2006 and the primary responsibility for enforcing these Regulations. They will have similar responsibilities under Regulation 1371/2007, when it comes into effect, and would also have under the proposed Regulations on the rights and obligations of passengers in the maritime and international bus/coach transport sectors.

3.4 In order to assess the effectiveness of the measures taken by Italy, we have analysed below:

- the specific measures Italy has taken to implement the EU measures for level of service quality and user aspects such as passenger rights;
- other policy measures Italy has taken relating to passenger rights;
- whether these policy measures have had any impact in Italy.

Specific measures taken by Italy to enforce EU legislation

3.5 A number of legislative measures have been introduced in Italy in order to apply EU legislation relating to passenger rights.

3.6 Several Legislative Decrees were introduced in 2005 and 2006 in order to revise the Air Navigation Code. These measures include designation of ENAC as the national enforcement body under Regulation 261/2004 and introduction of requirements for carriers to inform passengers on the existence of codeshare agreements and on the identity of the operating carrier.

- 3.7 Legislative Decree 69/2006 defines the fines applicable in Italy for non-compliance with Regulation 261/2004, which are set in the range of €2,500 and €50,000. However, according to the Italian legislation⁴, reductions can be applied to payments received within 60 days from the notification of the violation. Table 3.2 below reports minimum, maximum and reduced amounts for each incident of non compliance.

TABLE 3.2 PENALTIES FOR NON-COMPLIANCE WITH REGULATION 261/2004 IN ITALY

Offence	Minimum (€)	Maximum (€)	Reduced (€)
Denied Boarding	10,000	50,000	16,666.67
Flight cancellations	10,000	50,000	16,666.67
Delay	2,500	10,000	3,333.33
Upgrade/downgrade	1,000	5,000	1,666.67
Lack of priority and assistance to the disabled or to unaccompanied children	10,000	50,000	16,666.67
Provision of information	2,500	10,000	3,333.33

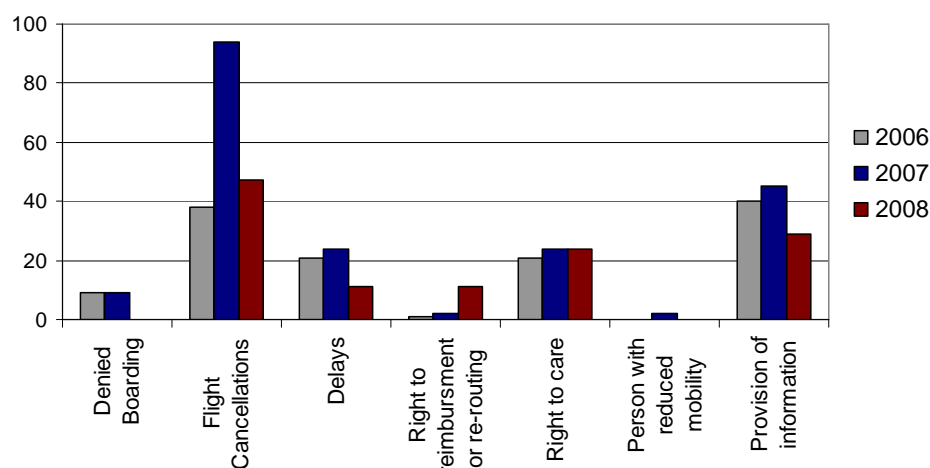
- 3.8 Decree 69/2006 states that its implementation should not result in higher financial or resource costs for the public budget, and therefore ENAC has to provide the human, financial and technical resources needed. However, Article 9 states that ENAC can keep revenue from enforcement activities.
- 3.9 The Commission has recently identified that enforcement in Italy is still not effective. In a recent answer to a question in the Parliament, the Commission reported that in January 2009 it was about to initiate contacts on three files with two Member States in the 'EU Pilot' system for problem-solving. Two of these complaints regarded lack of action by the Italian National Enforcement Body. Subject to the responses received from ENAC and other national authorities⁵, the Commission stated that it may open infringement procedures against them⁶.
- 3.10 However, in the dossier recently made available to the Commission, ENAC stated that it has sent notifications of infringement to several airlines (applying reduced fines in most cases), although only a few of them have made the related payments. ENAC informed us that in the period 2006-2008, of the 376 occurrences of infringements notified, fines were paid in only 21 cases. The figure below shows the number of notifications issued by ENAC during the 2006-2008 period which resulted in issue of a fine to an airline.

⁴ Law n. 689/1981.

⁵ ENAC has recently provided the Commission with updated information on the current status of enforcement for Regulation 261/2004. For the scope of this study, ENAC provided us the same information, on which we based our analysis.

⁶ Parliament debate, 5 February 2009.

FIGURE 3.1 NOTIFICATION OF INFRINGEMENTS ISSUED BY ENAC



Source: Steer Davies Gleave elaboration on information provided by ENAC

- 3.11 Some airlines also complained that they had been issued with fines for delays to flights which their records showed had not actually been delayed, although ENAC denied that this could have happened.
- 3.12 Nonetheless, there are some positive elements to the enforcement of the Regulation in Italy. ENAC has a network of 40 offices in Italian airports, via which it can gather information relating to airlines' compliance with the Regulation; this means that it does not have to rely wholly on passenger complaints. ENAC has also published a "Short Guide on Passenger Rights" in order to provide passengers with information on their rights under the legislation.
- 3.13 With regard to Regulation 1107/2006, ENAC has been identified (Departmental Decree 107/T 24/07/2007) as the enforcement body for Regulation 1107/2006 and the provisions of articles 3 and 4 of Regulation 1107/2006 have been introduced into national law. ENAC has also adopted an Internal Act ("Circolare GEN 02"), for enforcing the Regulation, which has also been entered into by the associations representing people with reduced mobility and by air transport operators.
- 3.14 Legislative Decree 24/2009 defines the fines applicable in Italy for non-compliance with Regulation 1107/2006, which are set in the range of €2,500 and €120,000. Revenues collected through the application of the fines are due to be used to finance research and information activities at benefit of passengers with reduced mobility.

TABLE 3.3 PENALTIES FOR NON-COMPLIANCE WITH REGULATION 1107/2006 IN ITALY

Offence	Minimum (€)	Maximum (€)	Reduced (€)
Denied Booking	10,000	40,000	13,333.33
Denied Boarding (1)	30,000	120,000	40,000
Denied Boarding (2)	20,000	80,000	26,666.67
Lack of provision of information	5,000	20,000	6,666.67
Lack of identification of PRM's arrival and departures points at airports	5,000	20,000	6,666.67
Lack of assistance from airport operator	10,000	40,000	13,333.33
Lack of staff or of adequate training from airport operator or air service operator	2,500	10,000	3,333.33
Lack of assistance to PRM from air service operator	10,000	40,000	13,333.33

Note: (1) Refers to all cases excluding exceptions presented in letter a) and b) of art. 4 of Regulation 1107/2006, which indicate the cases where denied booking is allowed for safety (a) or technical reasons (b). (2) Refers to denied boarding in the cases presented in letter a) and b) of art. 4 of Regulation 1107/2006.

- 3.15 None of the other legislative measures which had taken effect by the time this report was drafted include requirements for Member States.

Other policy measures undertaken by Italy relating to passenger rights

- 3.16 With respect to modes of transport other than air, the following measures have been taken in Italy:

■ In the public transport sector a Prime Ministerial Decree (D.P.C.M. 20/12/1998) sets the general framework for the adoption of Public Service Charters ("Carta della Mobilità") by public transport operators. The decree requires Public Service Charters to contain a specific section on passenger protection including the policy on compensation and assistance to passengers, although it sets only the general issues that have to be considered. The actual definition of the procedures according to which communications with passengers as well as compensation and assistance to passengers has to be provided is left to each transport operator.

■ Legislative Decree (Dgls.) 206/2005 introduced a Consumer Code aimed at harmonizing and restructuring the previous legislation in the area of consumer contracts. In particular, it sets rules regarding contracts for package holidays, and regulations on the liability of operators.

- 3.17 In the rail sector, the main national long distance operator, Trenitalia, has recently adopted a revised Passenger Service Charter. This was adopted on a voluntary basis and therefore does not reflect the requirements of any specific national or European legislation. It defines the conditions and procedures that passenger should follow when asking for refunds in case of delays, cancellations of trains, or loss or damage

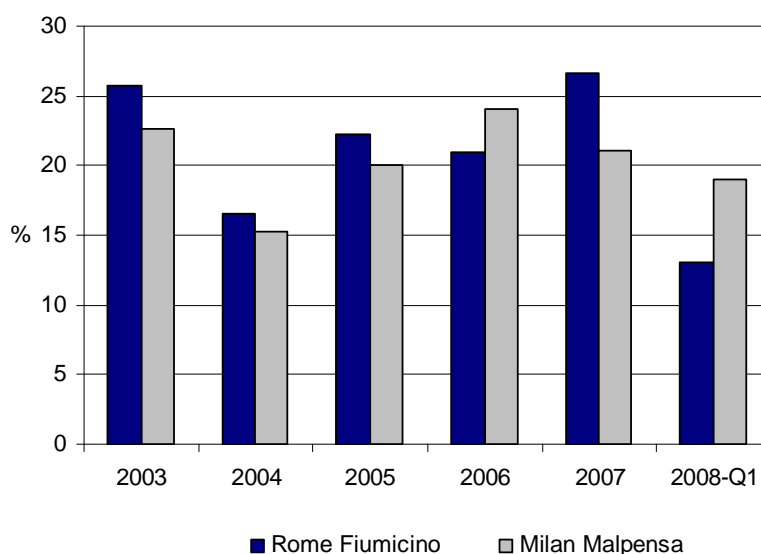
to luggage. It also provides information on the services available to passengers with reduced mobility ("Sale Blu").

- 3.18 In the air transport sector, ENAC has taken a number of other measures aimed at protecting passenger rights, including:
- the adoption of a Passenger Rights Charter, which is currently under revision to reflect the recent changes to European and Italian legislation;
 - the introduction of a free customer service telephone number ("Numero verde"), which provides passengers with information relating to passenger rights, (for example, the identities of carriers included within the list of airlines banned within the EU); and
 - the establishment of a radio service in co-operation with RAI-Isoradio, to provide passengers with information relating to the operation of the main national airports, for example, whether there might be delays at particular airports or the number of passengers travelling during specific days/periods.
- 3.19 ENAC is also responsible for regulating the level of service quality provided by airport operators. Further to the revisions to the Air Transport Code noted above, it is now compulsory for airports to adopt Service Charters, and ENAC has provided guidance for airports to follow in the preparation of these. These set out the minimum quality standards airport operators are bound to comply: they must satisfy 54 parameters in order to guarantee a high level of service quality to the passenger.
- Impact of the policy measures within Italy*
- 3.20 Unfortunately, the policy measures enacted by the EU in the area of passenger rights have, to date, had little impact in Italy.
- 3.21 In the air sector, the formal legal requirements regarding enforcement of Regulations 261/2004 have been met, in that an enforcement body has been designated and sanctions have been introduced into national law. The requirements regarding Regulation 1107/2006 should be met shortly.
- 3.22 Nonetheless, there have been issues with enforcement of Regulation 261/2004 in practice and as discussed above the Commission has stated that it is considering infringement proceedings against Italy as a result of ineffective enforcement. Italy was also unambiguously non-compliant with this Regulation between the bringing into force of the Regulation in early 2005 and when Legislative Decree 69/2006 was introduced, as it was late in introducing sanctions for non-compliance into national law.
- 3.23 ENAC claims that some parts of the Regulation are unclear and that this has made enforcement more difficult, but nonetheless that overall airlines are complying with the Regulation. However, several Italian consumer associations (such as ADICOSUM, Legaconsumatori, Altroconsumo) claim that the problem is that airlines are not complying and that enforcement by ENAC is ineffective. In particular they complain that there are no conciliation procedures to enable passengers to obtain their rights in individual cases, and ENAC has not taken the actions needed on scope, such as the organization of a dedicated technical meeting.
- 3.24 ENAC has suggested that, in order to facilitate passenger complaints and improve the enforcement process, airlines should be obliged to have a representative in the

countries in which they operate. It has also suggested that league tables comparing the performance of operators should be introduced.

- 3.25 Both ENAC and consumer associations also believe that the scope of the Regulation should be extended, to include, for example, flights from outside the EU operated by non-EU airlines, missed connections and unscheduled diversion of flight to alternative airports. They also believe that the level of compensation introduced by the Regulation should be linked to the rate of inflation.
- 3.26 A study undertaken by Steer Davies Gleave in 2008 investigated the extent to which airlines have adapted their Conditions of Carriage to be consistent with Regulations 261/2004 and 1107/2006. The study analysed the Conditions of various carriers registered in Italy. Of the seven Italian carriers reviewed:
 - only two had Conditions which were explicitly compliant with Regulation 261/2004, which was worse than the European average; and
 - the level of compliance with Regulation 1107/2006 was also worse than the European average, with three carriers' Conditions not mentioning passengers with reduced mobility at all.
- 3.27 In order to understand the overall level of performance of Italian air carriers in terms of customer service, we have evaluated data for delays at Italian airports, and data for loss of luggage by Italian carriers. Unfortunately, no specific data is published in Italy, but the Association of European Airlines reports data on the performance of European airlines, in terms of delayed flights and loss of luggage.
- 3.28 Figure 3.2 shows information on departure delays at Italian airports. In 2007, over one quarter of Alitalia flights from Rome Fiumicino were more than 15 minutes late. This was significantly worse than the level in 2006. Indeed, as reported by AEA, 2007 was the fourth successive year of low punctuality performance in most European airports and Rome was among the airports with the highest incidence of delay. No clear data is available as to what extent airlines comply with the obligation defined in Regulation 261/2004 to provide assistance to passengers in the event of delays at Italian airports.

FIGURE 3.2 DEPARTURES DELAYED MORE THAN 15 MINUTES (%) - DOMESTIC FLIGHTS



Note: Figures refers to Alitalia performance only. 2008 Data refers to the first quarter (Q1) only Source: AEA data, SDG analysis

3.29 In terms of lost luggage, the performance of the most important Italian airline operator Alitalia (recently privatised) was rather poor. It was ranked 26th among carriers which are members of AEA (two places from the bottom), with 19.6 lost bags for every 1000 passengers. Historical data is not available and therefore it is not possible to identify whether there has been any improvement, for example as a result of the incorporation of the Montreal Convention into European law (Regulation 889/2002).

3.30 The Regulation for passenger rights for rail passengers (1371/2007) has not yet come into effect, and so it is not possible to evaluate what impact it has had in Italy.

Conclusions

3.31 Overall, although the basic legal requirements of the Regulations relating to passenger rights have now been met, enforcement has not been successful in Italy, and therefore the policy appears to have had limited impact. This is reflected in the fact that the Commission is considering the launch of infringement proceedings against Italy relating to its failure to enforce Regulation 261/2004 effectively.

3.32 The key lessons learnt are:

- it is important that where Regulations require establishment of an enforcement body and sanctions to be introduced into national law, this takes place before the date at which the Regulation comes into effect; and
- it is important that, if transport operators do not comply with Regulations, as well as issuing fines, the enforcement body ensures that fines are paid.

3.33 Nonetheless, there are some strengths to the enforcement of Regulation 261/2004 in Italy. In particular, the enforcement body has issued a large number of fines, which contrasts with enforcement bodies in some other Member States which have not issued any sanctions despite evidence of persistent non-compliance by carriers.

- 3.34 There are also some examples of good practice from other transport sectors in Italy. For example, the Italian government has adopted some measures to improve the level of consumer protection, such as introducing Public Service Charters for public transport operators.

4 Environmental sustainability

4.1 In what follows, we describe the actions taken by Italy with respect to the selection of transport externalities i.e.: air quality, the protection of maritime environment, noise and greenhouse gas emissions.

4.2 Different publications of the Italian Environmental Agency (ISPRA) and the Italian Statistical Office (ISTAT) have been used as data sources for the analysis, in particular the following ones have provided much of the reported data:

- ISPRA Environmental Yearbook 2007;
- ISPRA Environmental Yearbook 2006, Chapter 3 - Transport;
- ISTAT Polluting emission data by sector, 2009.

Qualitative analysis

4.3 The qualitative analysis is undertaken through an assessment of the progress towards the measures discussed for environmental sustainability. The following sections present a deeper discussion of the assessment summarized in Table 1.1.

TABLE 4.1 ASSESSMENT OF MEASURES FOR ENVIRONMENTAL SUSTAINABILITY

Measure	Assessment
Euro emission standards	<p>This action was to be undertaken by the Commission and there were no specific obligations for the States.</p> <p>In Italy, EU standards have been used as a basis for calculation of vehicle taxation, for the identification of the features of Low Emission Zones and for differentiating charges in the urban road pricing scheme introduced by the city of Milan in 2008.</p>
Air quality directive	<p>Framework Directive 96/62/EC and limit values given in the subsequent Directives 1999/30/EC, 2002/3/EC and 2004/107/EC have been transposed into national legislation.</p> <p>Though some improvements have occurred in the status of air quality in Italian cities, limit values are still repeatedly exceeded.</p>
Ensuring that pricing and taxation mechanisms better reflect vehicles environmental and health damages	<p>At present there is no common EU environmental framework for road vehicles registration and/or annual circulation taxation and a revision of the Eurovignette Directive to allow charging of Heavy Good Vehicles (HGV) for the environmental externalities produced is under discussion.</p> <p>Yet, in Italy light vehicles registration tax varies according to their emission. In addition, the city of Milan has recently introduced an urban charging scheme where vehicles are subject to charges varying with their emissions classes.</p>

Measure	Assessment
Promote the use of cleaner vehicles in urban public transport	Italy took part in several EU initiatives (e.g. CIVITAS). In addition, there are initiatives both at the national and regional level to promote public fleet renewal and the purchase of cleaner vehicles. However, the financial resources for these actions varies between regions and, overall, it seems to be still insufficient.
Double hull oil tankers, penal sanctions for ship source pollution, etc.	This action was to be undertaken by the Commission and there were no specific obligations for the States. Legislation has been introduced in Italy to promote fleet renewal and the introduction of double hull tankers.
Community support for noise charges and introduction of noise-related operating restrictions at Community airports	Directive 2002/30/EC aimed at harmonising the conditions of restricted access to airports due to noise-emissions of aircrafts was transposed into national legislation with some delay. At present no Italian airport has applied it. A number of measures are currently under discussion to tackle this problem.
Reduction at source and other actions to reduce noise in the rail sector	With respect to the actions discussed in Task 1, there were no specific obligations for the States. However, following Italian legislative provisions, Ferrovie dello Stato is taking actions to reduce noise levels along the Italian rail network.
EU noise standards and other measures to reduce noise externalities in the road sector	With respect to the actions discussed in Task 1, there were no specific obligations for the States. However, following Italian legislative provisions, operators of Italian motorways are taking actions to reduce noise levels along their network.

4.4 In order to assess the effectiveness of the measures taken by Italy, we have analysed below:

- the specific measures Italy has taken to implement the EU measures in the field of environmental sustainability;
- other policy measures Italy has taken relating to environmental sustainability;
- whether these policy measures have had any impact in Italy.

The following specific measures have been taken by Italy to implement/enforce EU legislation

4.5 EU air quality directive 96/62/EC and subsequent Directives 1999/30/EC, 2002/3/EC, 2004/107/EC have been transposed into Italian national legislation through various acts⁷.

⁷ Legislative Decree of the 4th of august 1999, n. 351 transposed Directive 96/62/CE, Ministerial Decree of 2nd April 2002, n. 60 transposed Directive 99/30/EC, Legislative Decree of the 3rd of august 2007, n. 152 transposed Directive 2004/107/EC.

- 4.6 In 2005, one year later the deadline set by the Directive, Italy complied with the requirements of Directive 2002/49/EC committing member states on to⁸:
- Map the effects spatial distribution and the effect of noise in ‘noise-maps’;
 - Publish noise maps and inform the public on the effects of noise;
 - Create action plans which describe how tackle noise at the identified hot-spots.
- 4.7 However, as the Directive is implemented at the local level, with responsibilities given also to private companies (such as those managing Italian motorways or airports), the level of progress heavily depends on the effort spent by the different actors involved.
- 4.8 In the aviation sector, Directive 2002/30/EC aimed at harmonising the conditions of restricted access to airports due to noise-emissions of aircrafts was transposed in the Italian legislation in 2005⁹ (again with some delay with respect to the deadline set by the Directive). Yet, at present no Italian airport has applied it.
- Other policy measures undertaken by Italy relating to environmental sustainability*
- 4.9 Since 2001, following a reform of the Italian Constitutional Law, regional authorities are responsible for actions in the field of environment protection. In particular, they are responsible for adopting plans to improve the status of local air quality when the levels of pollutants are higher than the value set by the EU legislation¹⁰.
- 4.10 These plans set the framework for coordinating actions with local authorities, such as province and municipalities within the same region, and for taking measures to reduce emissions from the different sources. According to a recent study from the ISPRA¹¹, in 2005, the transport sector accounted for about 55% of measures identified by regional air quality plans.
- 4.11 The promotion of public transport through infrastructural investments and renewal of vehicle fleets (usually financed through a mixture of national, regional and local resources), and the introduction of Low Emission Zones, are the most common measures introduced to tackle emissions from transport.
- 4.12 Most of the larger towns in the north of Italy, where the problem of high levels of polluting concentrations is particularly severe, have introduced Low Emission Zones during the winter. The type of circulation restriction (i.e. vehicles banned, days and hours the ban applies, exemptions, etc.) is defined either by the municipalities or by the region, according to the agreements signed between them.
- 4.13 To avoid the presence of a mixed patchwork of un-coordinated bans within the same region (which indeed occurred in the past as municipalities were responsible to set the features of the circulation bans within their territory), actions have been taken recently to promote a better coordination of restrictions in force within the same region and, possibly, nearby ones.

⁸ Legislative Decree 19/08/2005 n. 194.

⁹ Legislative Decree 17th January 2005, n. 13.

¹⁰ Legislative Decree 351/1999.

¹¹ I piani regionali di risanamento della qualità dell’aria, 2008.

- 4.14 In 2008, the municipality of Milan decided to further limit the circulation of polluting vehicles in the city by introducing a charging scheme, Ecopass, which applies on the top of the Low Emission Zone already in force in the whole region (which prevents the circulation of more polluting vehicles during the week in winter time).
- 4.15 The Ecopass scheme, which applies to a central area of the city, is based on the “polluter pays” principle. It affects both private and commercial vehicles, which are charged according to their emission category. As such, Ecopass has become the first urban road charging scheme in the world to focus on pollution (especially PM10 concentrations) rather than congestion.
- 4.16 During its first year of implementation, the scheme led to a reduction of traffic of 14% in the charged area, and of 3.4% in the city of Milan. This had a clear impact on congestion: road users gained about 9.3 € mil in time savings according to an estimate from the municipality of Milan¹². In addition, the scheme induced a renewal of private vehicle fleet circulating in the charged area. Yet it is not clear the extent to this (rather than other factors such as weather conditions) contributed to the reduction of PM10 and NOX concentrations registered the city in 2008, which were lower than in previous years, but still above EU limits.
- 4.17 In 2008 the Ecopass scheme made 5.5 € mil. available for investments in the local transport system (to which net revenues are earmarked), as total revenues accounted for about 12 € mil. against 6.5 € mil. of operating costs.
- 4.18 At national level other actions have been taken in Italy in the field of environmental taxation of transport activities. For instance, since 2007 vehicle emission class is one of the criteria used (together with power and cubic capacity) to compute the annual registration tax of light duty vehicles. By contrast, HGV registration taxation is based on gross vehicle weight and, for vehicles > 12 tonnes, on number of axes and type of suspension.
- 4.19 Since 2008 the Government introduced also the possibility to deduct 19% of the cost of public transport season tickets from personal income taxation. In addition, in the past years, the Italian Government has made an extensive use of financial incentives to promote the renewal of motor vehicle fleets; these incentives have been significantly increased at the beginning of 2009 as part of the package adopted to support the car industry, which is particularly affected by the current economic crisis.
- 4.20 Financial incentives have been provided since 2006 also to promote the use of methane gas in urban areas and the spread of a methane distribution network for the automotive sector. Vehicles using methane fuel usually produce lower amounts of GHG emissions per kilometre than those burning oil or diesel fuel: for instance some FIAT vehicles burning methane have been estimated to cut GHG emissions per kilometres by 25% with respect to standard oil fuelled vehicles¹³. However, the amount of emissions from methane cars depends also on the quality of the methane burned (e.g. density and origin).

¹² Monitoraggio Ecopass, Gennaio-Dicembre 2008. Indicatori sintetici.

¹³ Source: study from the Italian Ministry of Economic Development “Guida sui carburanti e sulle emissioni di CO2 delle autovetture”, 2008.

- 4.21 With respect to actions aimed at promoting the use of cleaner vehicles in urban public transport, Finance Act for 2007 instituted the Fund for Sustainable Mobility with an allocation of 90 MEuro/year for the period 2007-2009, mainly targeted at investments in underground railways, trams, trains, together with the promotion of intermodality in the transport of freight.
- 4.22 A national law (Law 6/10/1995 n. 447) to limit noise externalities from the different sources is in force in Italy since 1995. This law sets the responsibilities of the State, the regions and the municipalities on this issue; it requires municipalities to adopt plans to reduce this type of externalities if noise levels are above limits set by the State; it also identifies the amount of sanctions to be paid for non compliance with the measures taken either at national or local level.
- 4.23 To date the use of noise-related airport charges in Italy is negligible.
- 4.24 In the rail sector, Ferrovie dello Stato takes part to several international research programmes aimed at reducing noise externalities and it is implementing measures to tackle this problem.
- 4.25 In the road sector, since 1995 the operators of motorways are required by law to allocate to noise abatements measures 5% of the budget assigned to maintenance interventions, which was then been raised to 7% in 1999. In addition, they are also required to prepare plans to reduce road noise within the limits established by Italian legislation¹⁴. In 2007 Autostrade per l'Italia, the major operator of Italian motorways, presented the plan which identifies the areas affected by noise levels above limits and lists the actions to be taken, specifying timescale and costs of interventions.

Impact of the policy measures within Italy

- 4.26 National data show that, between 1995 and 2005, overall emissions of pollutants such as PM10 and NOx from transport activities decreased by 26% and 14% in 1990-2006 period. This is mainly due to the improvements occurred in vehicle technology since the adoption of more stringent EU emission standards.
- 4.27 However, the concentrations of ozone (especially during the summer), PM10 (in winter periods) and NO2 continue to be critical in Italy, particularly in urban areas of the North of the country¹⁵:
- PM10: in Italy, in 2006, the daily limit (50 µg/m³, not to be exceeded more than 35 times a year) was broken by 61% of the monitoring stations;
 - Ozone: in 2007 summer period, 93% of the stations registered levels over the long-term objective of (120 µg/m³);
 - NO2: in 2006, the annual upper limit for the protection of human health (40 µg/m³), which shall go into force in 2010, was not exceeded by 56% of the stations.

¹⁴ Decree of the Ministry of the Environment of 29th of November 2000, Presidential Decree n.142 of 30th March 2004.

¹⁵ Source: Environmental Data Yearbook 2007, Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPA).

- 4.28 Transport is estimated to be the major contributor to all these emissions: in 2005, it accounted for about 43% of PM10 primary emissions in Italy; over the same year transport was also estimated to be responsible for 65% of emissions of NOx (the most important precursor of ozone).
- 4.29 The effects on air quality of the measures taken for the transport sector within the regional air quality plans seem quite limited: the lack of financial resources and the low enforcement of Low Emission Zones seem to be the most relevant problems encountered in the implementation of these plans, which prevented the achievement of the goals set by the EU.
- 4.30 In addition, the environmental impact of recent measures taken at local level such as the Ecopass scheme are still not clear.
- 4.31 As for noise externalities, the lack of data does not allow to produce an assessment of the impact of the measures taken.

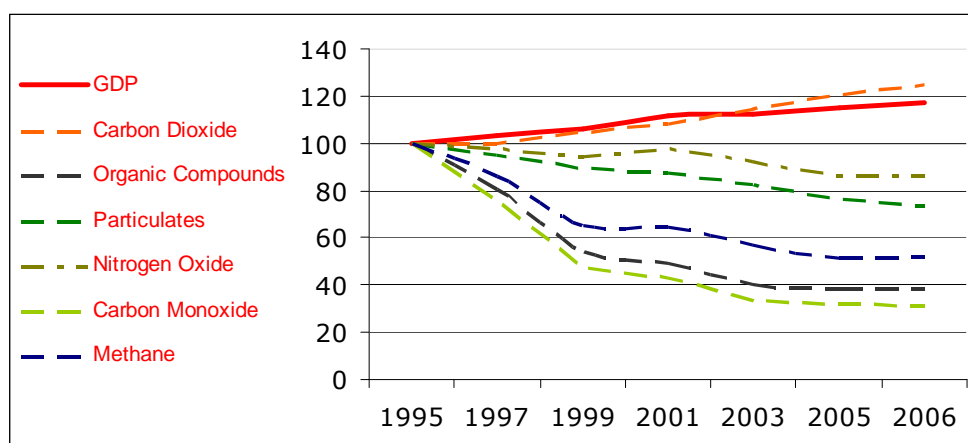
Quantitative analysis

- 4.32 The following sections present some quantitative data used to evaluate the effectiveness of the measures described above.

Trends in transport externalities

- 4.33 The following figure shows that most of polluting emissions from transport have been decreasing in the 1990-2006 period, while CO2 emissions from transport increased significantly, with growth rates above GDP ones.

FIGURE 4.1 GDP PERFORMANCE AGAINST TRANSPORT EMISSIONS

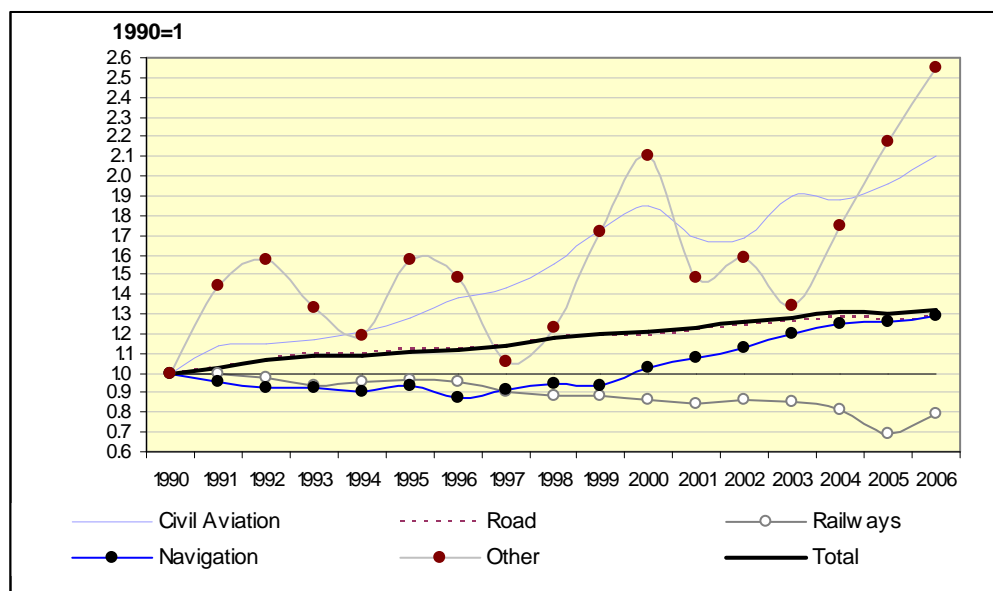


Source: Italian National Statistics. Note: all values have been indexed to 1995. GDP in real prices.

- 4.34 It is important to note that overall traffic volumes have been increasing during the same period of time, which indicates that, with respect to polluting agents (but not for CO2), efficiency gains in vehicle technology have outweighed growth in traffic.
- 4.35 In 2006, transport GHG emissions accounted for 149.1 mil. tonnes of CO2 equivalents in Italy, corresponding to about 25% of total GHG emissions in this country. The road sector accounted for 82.4% of them, followed by navigation (8.6%) and civil aviation (8.1%).
- 4.36 The remarkable increase registered by total GHG emissions since the 1990s (32% over the 1990-2006 period) is mainly due to:

- road transport emissions, which increased by 22% over the same period (indeed road is the main responsible for the overall pattern registered by transport GHG emissions and the two series, total GHG from transport and GHG from road transport, almost overall in the graph below); and
- emissions from the aviation sector, which increased by 86% over the same period, due to the remarkable increase registered by this transport mode (discussed in the introduction).

FIGURE 4.2 TREND OF GHG EMISSIONS FROM TRANSPORT IN ITALY



Source: Transport Statistics Yearbook 2009 - DG TREN. Note: civil aviation and navigation data include international bunkers.

- 4.37 Passenger transport demand (by all modes of travelling) is the main responsible for transport-related GHG emissions in Italy: in 2004 it was estimated to represent about 62% of total GHG emission from this sector.

Conclusions

The overall impact of the policy

- 4.38 To date the impacts of the measures taken to improve the sustainability of Italian transport system in Italy have not been able to counterbalance the negative pressure on the environment generated by transport demand (especially road and air transport).
- 4.39 The situation is particularly critical in urban areas, where the EU limits of local air pollutants are repeatedly exceeded. This is due also to the high dependence of the Italian transport sector on oil-related fuels (which accounted for about 98% of transport energy consumption in 2004), which is also responsible for the high level of GHG emissions from this sector.
- 4.40 Road transport, and particularly private car transport, is the main responsible for the increase registered in GHG emissions in the 1990-2006 period: the measures taken have not been able to induce sufficient modal shift to alleviate CO₂ growth.

- 4.41 Indeed, rail transport could be a viable alternative to car for many Italian commuters, but the lack of financial resources has prevented the undertaking of the investments needed to improve the quality of this transport mode.
- 4.42 At local level, with the exception of the Ecopass scheme, which induced an increase of demand for underground transport in Milan, the actions taken have had limited effects on the promotion of modal shift from private motorized transport to public transport, walking or cycling.
- 4.43 With respect to noise externalities, it is not possible to produce an assessment of the effectiveness of the measures taken because few data are available and they are not directly comparable (as different methodologies have been used for their collection). However, according to ISPRA, high percentages of the population are exposed to noise levels above the thresholds of 65 dBA (day time) and 55 dBA, (night time).

Contemporary developments

- 4.44 At national level, ISPRA is taking actions to improve the monitoring of pollutants and reduce the gaps existing between the north and the south of the country, where monitoring stations are less spread.
- 4.45 Competition between air and rail high speed line can induce travellers who previously used the plane to switch to rail, which will have clear positive effects on the environment. This seems already to be the case for the Milan-Rome route, where travelling times have been significantly reduced since the opening (December 2008) of the new high speed line between Milan and Bologna, which has been able to attract passengers from air transport (thanks also the recent crisis experienced by Alitalia).
- 4.46 As for Low Emission Zones, some regions, such as Lombardia and Emilia Romagna, have made significant progress in the attempt to coordinate the type of restrictions applied on their territory, and they are active in promoting coordinated actions among northern regions.
- 4.47 Recently, the Commission has also opened a procedure of infringement against Italy (and other 9 Member States) for not taking the actions needed (i.e. adoption of air quality plans) to apply for an extension of the timescales set for the more stringent EU air quality limits identified by Directive 2008/50/EC.

Lessons learnt and going forward

- 4.48 The urban road pricing scheme adopted in Milan has had positive effects on the reduction of congestion externalities and on the promotion of the renewal of the circulating fleet. The introduction of the scheme is certainly a positive step towards the internalisation of the external effects of car/vehicle usage. Yet, some of its features, such as the extension of the charged area, which is limited, or the charging structure, which allows for exemption from payment for EURO IV vehicles, can be improved to better reflect the external effects of car/vehicle travelling.
- 4.49 The conflict of competencies and responsibilities between regional and national authorities in terms of environmental protection is one of the reasons why regional plans to improve air quality have been only partially effective. Therefore, there is need for a better coordination of the actions taken by the different level of governments.

- 4.50 Enforcement of bans and restrictions in Low Emission Zones is usually quite poor and more effort should be put to make them really effective. More controls are also needed to check if circulating motor bikes (which in Italy represent about 8% of trips in urban areas) accomplish with EU emission standard requirements and meet the bans set within Low Emission Zones.
- 4.51 The financial incentives provided by the Government in the past years to replace older vehicles have contributed to the renewal of private fleet. However, it must be pointed out that although these measures have an impact on air quality, an accurate assessment of their environmental benefits should also take into account the costs generated by the dismantling of old vehicles.
- 4.52 Finally, further actions are needed to monitor and tackle noise externalities, especially in urban areas and nearby airports.

5 Conclusions

- 5.1 In Italy, the achievement of the objectives of the Common Transport Policy in several areas has been hindered by the lack of a clear long term strategy and by the overlapping of competencies of national and regional governments.
- 5.2 Minimal enforcement activity, market barriers, and insufficient financial resources are further critical aspects that limit the achievements of objectives set for many of the areas analysed. Nevertheless there are also some strengths to be highlighted.
- 5.3 In the field of passengers' rights, the Commission is considering the launch of infringement proceedings against Italy relating to its failure to enforce Regulation 261/2004 effectively. However, the Italian enforcement body has issued a large number of fines and in doing this, it is performing better than those of some other countries, which have not issued any sanctions despite evidence of persistent non-compliance by carriers. In this policy area the Italian government has also adopted some measures to improve the level of consumer protection in fields which were beyond the scope of the CTP, such as introducing Public Service Charters for public transport operators.
- 5.4 Low Emission Zones have been introduced to improve air quality but their enforcement is poor, which has compromised their effectiveness.
- 5.5 As for market opening, market barriers hinder real competition in some modes, which limits the effectiveness of the legislative intervention driven by the CTP in this field. This is mainly the case for long distance coach services and long distance domestic and international rail services. Nevertheless, the introduction of competition, particularly for air services, has made a significant contribution to improving mobility in peripheral areas and in major islands.
- 5.6 The lack of financial resources is a particular problem for regional and local transport, which suffer from low levels of service quality. However, significant investments have been made in the high speed rail network, which has contributed towards the CTP objective of achieving modal shift on specific corridors where this is appropriate.