

in Italy. To this end, the analysis of the institutional and regulatory framework of the Italian industry is very useful to pinpoint the specific problems faced by this sector that the reforms in progress should aim to solve. This analysis will also allow us to identify the empirical and theoretical tools of economic analysis that should provide useful guidance for a more detailed study of these issues in the future.

The remainder of the paper is organised as follows. After a description of the structure of the Italian sector (paragraph 2) and the main critical aspects from an economic point of view (paragraph 3), the goals of the reform in progress are discussed (paragraph 4, section 1): rationalisation of the competence concerning local transport, financial responsibility of the sector operators (local administrations and public transit companies) and introduction of more competitive environment. In the same section a first evaluation of the achieved results is also presented. Subsequently (paragraph 4, section 2), there will be a review of the corrective actions that have been suggested by the National Antitrust Authority. Finally, in the conclusion (paragraph 5) existing problems will be highlighted, underlining the central role that the reform is giving to the regions, and the close tie within the local services between privatisation policy and success of the liberalisation process.

2. The structure of the sector

2.1. Modal composition of the local public transport

The local public transportation (from now on LPT) sector divides into urban and extra-urban transport systems and is internally composed of different transit modes. Those include:

- bus-lines, operating in both the urban and the extra-urban areas;
- tramway, that provides urban service in five cities (Turin, Milan, Trieste, Rome, and Naples) and extra-urban service only in Milan;
- subway, with urban service in Rome, Milan and Genoa;
- railways in regime of government license or management, operating on an extra-urban scale;
- State Railways (FS), limited to the services concerning the local transit.

Like the majority of European countries, in Italy, the road-mode of transportation has been progressively increasing in importance, given the higher costs of the infrastructure investments which usually have to be supported to develop the alternative means of transport, and at present the supply of bus services dominates the LPT sector. Indeed the