

THE PUBLIC TRANSIT SYSTEMS IN ITALY: A CRITICAL ANALYSIS OF THE REGULATORY FRAMEWORK

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Abstract

In this paper we attempt to shed some light on the way the regulation of public transit systems has been approached in the past and is presently addressed in Italy. The reduction of x-inefficiency represents a great challenge for the local authorities, given the high operating costs faced by the transportation companies and the moderate tariffs level that do not allow the operators to balance costs and revenues. Throughout the 1980's and the first half of the 1990's, the problem was essentially met by means of stopgap measures taken mainly for emergency, to curb the deficit build-up. In the past five years it has been turning the efforts towards a radical reorganization of the whole local public transportation (LPT) industry, with the law 549/95, completed with the *Decreti Legge* 422/97 and 400/99. The reform process includes among its goals the attribution of financial responsibility to the sector operators and the start of privatization of the public transit systems. The introduction of more competitive environment, mainly by the resort to tendering for the allotment of concessions, represents the challenge for the future. A complete evaluation of the achieved results is probably still premature. Nevertheless, as the first goal is concerned, the reform appears suitable to yield some positive result. On the contrary, the liberalization and privatization of the LPT sector is progressing very slowly, due to the protection still given to the public-owned companies. It is then expected that in the future a decisive action with regard to such important aspects of the regulatory reform will be undertaken.

Key words: public transit systems, regulation, x-efficiency, competitive tendering

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