

will mean promoting the liberalization and progressive deregulation of the sector at any possible time, in particular by identifying the road sections where it is not necessary to impose universal service obligations or grant subsidies (sections at high demand profitable also in the presence of eventual tariffs cap, such as the connections between the city center and the airport).

It is probable that the road sections where the presence of many transport operators in competition will actually be possible are not numerous<sup>57</sup>. In some regions however, sections at high demand or where the demand could reach significant levels through suitable actions (stop tariffs, regulation of the individual transport access, preferential lanes, etc) could become quite considerable (in Lombardia, for example, up to a ¼ of the routes). In all these cases a regulation focused on guaranteeing information about timetable, frequencies and tariffs as well as adequate standards about safety and quality, could also prevent the risk of service decays due to the presence of several companies operating in the same section and consequential difficulties of their coordination<sup>58</sup>.

#### C. SERVICE ALLOTMENT THROUGH COMPETITIVE TENDERING

Whenever a real market competition is not possible, the Authority identifies the ideal process for the service allotment with competitive tendering. The exclusive direct allotment becomes then a very limited possibility. In this case the lack of a real competitive structure could be replaced by the efficiency incentives deriving from the competition threat made possible through the short term attribution of the service provision by tendering mechanisms<sup>59</sup>.

In these circumstances the provision, defined into details in the service contract, will be attributed to the company that engage to provide the service at the lowest subsidy (given the fare tariffs) or at the lowest tariffs (given the level of subsidies). The characteristics of the public transit service, in fact, allow the local administration to clearly define the requirements for the company offering the service. Only in case that the administration is not able to contractually define the service requirements (for example, not able to include in the contract the quality requirements) could it be more efficient to allot the service

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<sup>57</sup> Considering the diffused presence in the LPT sector of economies of scale and scope, difficult to catch inside a system based on the presence of several operators.

<sup>58</sup> See to this end the controversial evaluations of the experience in the UK where deregulation allowed in the extra-urban transport the presence of several operators on the same road section (among the others, Armstrong, Cowan and Vickers (1994), Bowers (1994) and Bishop, Kay and Mayer (1996).

<sup>59</sup> To confirm this, there are the results of the UK experience, positive for the urban transport where they applied the competitive tendering mechanism. At this purpose see again Armstrong, Cowan and Vickers (1994), Bowers (1994) and Bishop, Kay and Mayer (1996).