

Further on we will go back to this aspect and discuss some recent actions of the National Antitrust Authority concerning the need to configure markets where the LPT companies are requested to operate outside the administrative borders, as these are not necessarily matching with the ideal zones of the users.

With regard to the financing system of the companies operating in this sector, very often they cannot cover the supply costs due to the high operating costs typical of the provision of LPT services and the low tariffs applied in order to insure that the obligation of universal public service is fulfilled. For this reason the Government is often subsidising the transport operators to allow them to achieve an economic-financial equilibrium. In Italy until a few years ago, the Government has made up part of the deficit created by this sector by subsidising the transit networks with funds properly created for this purpose, defined as the FNT (National Transport Fund). The FNT was established by article 9 of the law n. 151/81, starting from the financial year 1982, with the intention of correcting the frequent ex-post subsidization action carried out in the past which did not offer any incentive to efficiency. Indeed, on the contrary, it was creating a high waste of resources which were often the cause of high deficit and financial crisis that the operators had to face in the past 10 years¹⁴.

The Government subsidy was defined by a fund transferred ex-ante to the FNT (the amount and coverage of which had to be specify in the financial law); and a subsequent distribution among the Regions according to the criteria defined by the Minister of Transport on the basis of the dimensions of the transport service provided, the characteristics of the territory and the economical conditions of the companies. The contribution for the operating costs (together with the one for the investments)¹⁵ was distributed from the region to the companies supplying the services. The distribution was made directly or through the local authorities and their consortium that have administrative activities, in order to allow the coverage between costs and proceeds. It was also specified that any eventual loss due to expenses not strictly pertaining the authorised routes were still

paying citizens. This increases the average costs in the long term and therefore determines a re-distribution from the tax-payers citizens to the non resident ones.

¹⁴ As a consequence also of the management of the LPT system that had the characteristic, at least until the latest decree law (D.L.) n. 422/97, to have mainly social scope and not caring about the efficiency aspect, but more than anything to guarantee the citizen mobility and to sustain the level of employment .

¹⁵ Concerning the contributions defined for investment in the purchasing of railways material, building and restructuring of infrastructures and fixed assets, control technologies and vehicle depots, the article n. 11 established the constitution of a special fund at the Ministry of Transport. This fund had to be distributed among the different Regions according to the population density, the traffic flow, and the plans for the development and the order of the territory; the distribution from the regions to the local authorities or directly to the LPT companies was bound to the condition of not being higher than 75% of the allowed expenses, except the possibility of the region to increase this amount using its own funds.