

charged to the single companies, which had to stretch to make the budget balance within a maximum term of five years.

During the years following the law n. 151/81, in spite of what was clearly defined by this law, not only did the companies not manage to reach the equilibrium of their balance sheets, but as can be observed from table 2, the deficit situation of the companies got worse over time, in spite of the several economic and financial actions subsequently taken by the Government in order to allow the balance at least of a part of the deficit of LPT companies<sup>16</sup>. It is worth underlining that these actions merely had a “stop gap” effect, as they were taken in a very disorganised manner with no co-ordination, mainly for emergency rather than for a stable balancing of the budget in the long run.

A particular point concerning this fragmentary law evolution that has covered the LPT field throughout the 1980's and the first part of the 1990's, is the law n. 158/90. With this, a gradual process of granting financial responsibility to the field operators (the regional and local planners and consequently the firms supplying the LPT services) has started and was subsequently completed with the radical and organic reform from 1995 till 1997, for which primarily purpose was to eliminate the x-inefficiency<sup>17</sup> that typically characterises the current management.

Before law 158/90, the funds established by the regions in their budgets as contribution to exercise and investment expenses could not, by law, be lower than the yearly amounts that they were obtaining from the Government through the FNT and the investment fund in the LPT sector, that assumed therefore the form of special bond funds. This aspect has been cancelled by law 158/90 that established that all the financial funds defined by the Government legislation concerning aspects of regional interest should go to the National Common Fund. (ex art. 8 law 281/70). In this way the legislators tried to give to the regional authorities a higher incentive for budgeting policies concerning the use of the funds in the LPT sector. In fact as these funds could be allocated to other scopes, the cost-opportunity of an inefficient use increased significantly stimulating the regions to become a more efficient regulator.

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<sup>16</sup> From this point of view it is important to bear in mind the law n. 18/87 defined the balance of the residual deficit of the transport companies from 1982 until 1986 with a Government contribution of 80% and the law 403/90 that allowed the local bodies and the regions to sign ten year loans to cover the deficits of the years 1987-1990. Further intervention was introduced with the D.L. n. 485/92, converted into law n. 32/93, and the D.L. n. 326/94, all with the scope of partially covering the old deficits by the definition of extraordinary Government funds.

<sup>17</sup> As regards the x-efficiency concept, see the pioneer contribution of Leibenstein (1966).