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AGENTS' BEHAVIOUR IN FINANCING ITALIAN TRANSPORT INFRASTRUCTURES

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Abstract — *The aim of the paper is to critically describe the behaviour of the main Italian transport infrastructural agents (national roads and rails, highway, airports concessions) in the field of infrastructure financing. All the actors are trying to avoid the effects of regulation and, at the same time, to reinforce their dominant position and power. The thesis of the paper is that the funding and building of new infrastructures is often the pillar of this strategy, since this is the field where the legal framework is weaker.*

A short review of the present normative is followed by the description of the behaviour of the main agents. Recent planning documents will be commented, pointing out the tendency of the regulated monopolists to find out new strategies to maximise their objectives. Among these, the proposal of new infrastructures is the field where monopolists are more active and where regulation should be more effective.

Keywords — *regulation, investment, infrastructure, airports, roads, highways, railroads, price cap.*

INTRODUCTION: INVESTMENTS AND REGULATION

The aim of the paper is to critically describe the behaviour of the main Italian transport infrastructural agents in the field of infrastructure financing. All the actors are trying, according to the structure of respective markets, to avoid or minimise the effects of regulation and, at the same time, to reinforce their position and power against the regulator. The thesis of the paper is that the funding and building of new infrastructures is often one of the pillars of this strategy, since this is the field where the regulatory framework is weaker.

The topic of the relationship between the regulation of transport markets and the investments in new infrastructures is seldom discussed. The well-known approaches of privatisation, *price-cap*, yardstick competition, tenders, etc. do not explicitly consider the investments as part of the regulatory problem or do it in a way that reveals as non satisfactory in the practice. In particular, the *price-cap*, one of the most applied methods for the regulation of non contestable sectors and of natural monopolies, does not distinguish in the majority of applications, the type of investment.

As discussed before in Beria and Ponti (2008), in fact, a distinction between “endogenous” and “exogenous” investments is necessary to avoid the tendency to overinvestment or gold-plating practices. The “endogenous” investments are those that reduce the costs (introducing a new technology, for example) or raise the demand (building a new section) at a level that makes the investment self-profitable for the regulated actor, also at a given tariff. In other words, for these investments an explicit remuneration is not necessary because self-financing. To the contrary, those investments that are not able to raise revenues or lower costs at a level that make them profitable, should be exogenously financed through a tariff increase or public lump sum subsidies. This, of course, only in case they result profitable in socio-economic terms.

The lack of distinction between those two categories and the remuneration through tariff increases of any kind of investment, may generate extra-profits. This gives an incentive to overinvestment, at the expenses of the users that pay unnecessarily high tariffs. The already mentioned paper demonstrated the wide occurrence of this practice in Italian regulated sectors.

The present paper aims to investigate a further aspect of the problem of investments done by a regulated (or a weakly-regulated) concessionaire or agency. This aspect deals with the use of investments to increase the contracting power of the regulated, up to the substitution of the public planner with a private-like (or even private) planner, and to grant long term monopoly and rents. In some cases this behaviour lays in the insufficiency of the regulatory normative; in other cases it is the outcome of an opaque application of it or of the capture of the regulator by the agent. In this second case it is not always possible to bring proofs supporting facts that are actually circumstantiated impressions.

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The paper starts with a short review of the present Italian normative, followed by the description of the behaviour of the main agents and modes, namely the highway concessionaires, the national road agency, the national railways and the major airport concessionaires. Some conclusions will be drawn at the end.

BRIEF NORMATIVE OVERVIEW

The Italian normative framework is supposed to regulate all the transport natural monopolies through fares, both in terms of operations and financing. However, the normative is not homogeneous among the modes and largely insufficient to promote efficiency (Ponti et al., 2007).

Highway and airport fares are regulated via *price-cap*. In both cases the regulation applied is unsatisfactory due to the lack of actual pressure to efficiency and for the favourable investment remuneration (Beria and Ponti, 2008, Ragazzi, 2008).

Rail track access tolls are calculated with a formula defined in a decree. There is no *price-cap* or any other form of efficiency promoting mechanism. Rail services fares are defined by the state or by the regions (for those considered as social services) or are *de facto* left to the incumbent operator choice.

Road system is free of charge and no regulation on subsidies is present.

Since the national regulatory framework is so contradictory, it is generally not completely effective. Major rents are still present, also in form of inefficiency. Concerning the financing, some effects can be recognised in the past, like “gold plating” and cost overruns.

GOLD PLATING AND PROFITS IN THE HIGHWAY SECTOR

Italian highway system consists of approximately 6.500 km, the majority of which is franchised. Part of this network, 600 km, has characteristics of highway, but is built and owned by the National Road agency ANAS (see below). The concessionaires are 25, usually privately owned or mixed public-private. The main concessionaire is the private company group “*Autostrade*”, which owns the 61% of the network and serves the 67% of the traffic. It was formerly owned by the state and was privatised in 1999. Another group, the “Gruppo Gavio” owns the 20% of the network. The rest of the network is owned by local authorities or by minor private shareholders (Ragazzi, 2008).

The privatisations and the extension of concessions

Until the end of the Nineties, all the concessions were automatically renewed at the same conditions and without any tender. The renewal was formally justified with the promise of further investments, which needed to be adequately remunerated. In 1999, the Government decided to privatise the main concession, “*Autostrade*” in order to accomplish at European request to dismantle the former owner, IRI, a public company. However, the hidden rationale of such privatisation was to earn as much as possible in a period of financial constraints by expanding the value of the stocks (Boitani, 2004; Coco and Ponti, 2006).

The maximisation of the company value was done by introducing some distortions in the *price-cap* mechanism adopted since 1996 for the yearly update of the tolls. These distortions regard both the lack of an effective incentive to efficiency maximisation and profit minimisation, and the issue of investments.

According to the decree named “Costa–Ciampi” (20 October 1998, n. 283), following the criterion of past costs recovery, the renewal periods *should* have been very limited for all the concessions (1 to 7 years, with only one exception of 18 years) (Ragazzi, 2008). This short concession was a threat for the survival of the present concessionaires. In few years all of them should have transferred the infrastructure back to the regulator, due to the fact that all their investments were completely repaid and widely remunerated.

However, the still public “*Autostrade*” obtained easily the renewal of the concession for another 40 years up to 2038, just before the privatisation and without any tender (in 1997, until 2038). This fact opened the way, between 1999 and 2000, for many other concessionaires to conveniently extend their concession period, despite the European rules forbidding automatic renewals without tendering.

The mix of weak regulation, extension of the concession and approval of huge investment plans, made ex-post *Autostrade* (but also the other concessions) extremely profitable for the investor and increased noteworthy its value². The counterpart is that such a favourable regulation cannot, by definition, promote efficiency and favour the users.

² Boitani (2004) quotes some documents of that time evidencing the fact that the expected profits of *Autostrade* were largely superior to the official ones, due to the particularly favourable regulatory framework.

Price-cap and new investments

The main justification to the extension of the concessions to Autostrade and to the other networks under expiration, laid in the field of new investments.

In fact, all the concessionaires succeeded in having a further concession period in order to repay *new* investment plans. These investments, once their social utility was demonstrated, could have been properly financed by fixing an end of concession value to be paid by the new concessionaire after the expiration of the present one. This would have avoided of having longer concession periods before tenders. However, this did not happen and concessions were extended for 6 to 27 years (with two shorter exceptions only). Moreover, only few concessions would have expired around 2010³, all the rest around 2020 or later, up to 2038⁴. The extension was calculated as the sum of the extension due to the past unrecovered investments, plus the extension due to recover the future, declared, investments. The new investments, with the exclusion of *Autostrade*, consisted in approx. 4.500M€. The figure is slightly lower than the initial proposal made by the concessionaires of approx. 5.500M€ (Ragazzi, 2008).

As already mentioned, the remuneration is done by applying, since 2000, a new regulatory regime ruled by a *price cap* formula. However, the model applied is very far from the theoretical one (Coco and Ponti, 2006) especially concerning investments. The principle determining fares is that of uniformity across parts of the network and tariffs are, in fact, defined to fully recover the investment costs. No criterion is applied in order to efficiently allocate the demand (Boitani, 2004). The effect seems to be that these investments are not only *not risky*, due to the favourable *price-cap*, but also that they are assessed by the concessionaire and not by the regulator, whose control on methodology and unit costs is not transparent. Moreover, as Italian norms require, the assessment refers to single, specific, investments and not to a plan. Finally, there is no distinction between endogenous investments, i.e. those that can be directly financed through the direct increase of demand or lower of operating costs, and exogenous investments, i.e. those that must be paid by public funds or by other users because not self-profitable (Beria and Ponti, 2008).

The outcome of this normative framework (together with the feeble assessment process used in Italy, especially at the planning level) is to stimulate overinvestment: the more investments (promised), the longest is the concession period and the higher can be the tolls.

The important modifications introduced with CIPE decree 1/2007 were not sufficient to limit the power of the concessionaires, but only to stop for one year (2007) the increase of tolls⁵ (Ragazzi, 2008). The decree has been issued because of many cases of investments declared, included and paid in tolls, but actually never built. The resistance of all the concessionaires to this decree has been strong.

Another correction of the past, problematic, framework deals with the quantification of the value of the investment. Before 2007, the amount of the investment was updated at the end on the basis of the declared ex-post costs. This did not give any incentive to correctly forecast the investment cost and opened the way to large and uncontrollable overruns. Since 2007 the investment remunerated in *price cap* formula is the one declared ex-ante by the promoter – concessionaire.

Recently (2008), the formula is, once again, under modification, this time in favour of concessionaires. In the future, the price-cap formula will fix also the “X” parameter to a predetermined share of the inflation rate, neutralising also any driver to efficiency.

Regulation or incentive to gold-plating?

The given description stresses that the Italian regulatory framework concerning highways investments is critical. It is not only a matter of weakness and normative inadequacy. Rather, some contents of the regulation are distorting the sector and inducing opportunistic behaviours of the agents. Their resistance has been until now capable of reducing the effectiveness of the regulation.

Some problems, limiting the analysis to the field of the investment choices only, can be stressed.

- a. The way initial tariffs are set, i.e. the “historical” ones, determines an unregulated monopolistic rent once the past investments are repaid.

³ Centropadane (Piacenza-Brescia) in 2011, Cisa (Parma-La Spezia) in 2010, Padova- Mestre in 2009.

⁴ Torino – Savona.

⁵ For example, *Autostrade per l'Italia* had an increase of only 0,17% instead of 2,93% if calculated with the previous rules. This means that the phenomenon of declared but not realised investments is crucial.

- b. New investments are automatically remunerated in the tariff, without applying any efficiency criterion and in a scarcely transparent way. Moreover, these increases are spread on the whole network even if benefits (e.g. a new section) are limited to some users only (Boitani, 2004).
- c. The extension of the concession and the extra-remuneration of new investments during the concession period mean that new investments are paid *twice* (Ragazzi, 2008).
- d. Present contracts remunerate any kind of investment. However, only exogenous ones should be remunerated (Beria and Ponti, 2008).
- e. Every new investment is proposed by the concessionaire (Ponti and Boitani, 2005), which actually acts as a planner. The plan is only formally approved by ANAS, which is supposed to be the planner/regulator. The distinction between investments promoted by the concessionaire (to be paid by new demand or cost reduction) and by the authority/planner (to be paid in tariff or by a tender) is necessary, but absent.

The outcomes of this regulatory framework are important. Privatisation and regulation aimed at maximising the value of the public companies to be privatised and not to obtain efficiency and fair tolls. The consequence is that now the concessionaires are doing, with no exceptions, extraordinary extra-profits (Ragazzi, 2008), increasing their already strong position in front of the state. Also the transparency of such profits is scarce. Furthermore, no productive and allocative efficiency is promoted.

A perverse incentive to overinvestment is given, known as *Averch-Johnson effect*, both in quantity (new and unnecessary investments) and in unitary prices (no control on cost overruns and inefficient engineering situations, defined as *gold plating*) (Gomez Ibanez, 2003). Obtaining the approval of monumental and unjustified investment plans, even if longer than the concession period, is easy. This behaviour, even if not linked to a longer concession period, gives *immediately* extra-profits (Ponti and Boitani, 2005), thanks to the price-cap parameter. Moreover, the socio-economic rationale of these investments is weakly verified by the authority. ANAS, in fact, approved investments plans without any priority verification, stressing that investments are not publicly funded.

NATIONAL ROADS: A STATE AGENT BECOMING A POWERFUL PLANNER

The Italian national road system consists of approx. 21.500 km, including some 4 lanes roads and approx. 1.200 km of highways or roads with characteristics of highways. All its network, except part of the highways, is completely free. The whole national system is managed by one single concessionaire, named ANAS⁶ and 100% owned by the Treasury. The concession will expire in 2030⁷.

ANAS is now a stock company, even if fully state owned, but its financial autonomy is still very scarce and depends mainly on earmarked state transfers. In the past the “strategy” of the agency was quite simple and typical of the operative branches of ministries. Its task was to build, maintain and operate the national network, under state transfer and monopoly conditions.

However, due to historical reasons, ANAS is not only the network manager. It is also in charge of an authority-like function for franchised highways. Under this function, it manages the bids and regulates the fares of the concessions. However, ANAS is now in charge also of some expired toll concessions and aims to introduce tolls on many trunk roads: this double function is generating a conflict of interests and threatening its independence as authority.

The industrial plan 2007-2052 and a new powerful actor

The analysis of ANAS case became recently extremely significant, after the recent issue of an ambitious industrial plan. The plan, transmitted to the Treasury in June 2007, is still under approval in 2008⁸.

The agent is dependent, both on operation and investments, on the actual state transfers, allocated by law every year. Since transfers come always from the state or from local budget, ANAS concur to national debt, constrained by European agreements. The largest part of national transfers is, up to now, for new investments, that sum up to more than 1 billion Euros per year, with few exceptions⁹.

⁶ Also Provinces and Municipalities build and manage their own road networks.

⁷ Unless renewed until 2050 as requested by the agency itself.

⁸ The first comments of the technicians of the Ministry is extremely “cautious” (Ministero Economia, 2008).

⁹ The year 2006 was an anomaly, with “only” 100M€ spent.

ANAS dependency on end-of-budget state transfers and the stochastic character of them across years, limits the actual responsibility of the managers towards an efficient behaviour. It is not surprising that the budget showed very negative results often in the past years, despite the large transfers.

In 2007 a new industrial plan has been issued, covering a very long period until 2052. It is proposing radical modifications on the status, the role and the autonomy of ANAS. The plan has not been approved yet at the moment of writing, but it will likely be.

The key issues of the plan are listed below. All of them are heavily affecting the way Italian roads will be financed in the future (Beria and Ponti, 2008):

- introduction of shadow tolls and real tolls on some trunk roads, now free. State subsidies remain for the “non commercial” network;
- acquisition of the network of some highway concessions under expiration;
- some new roads will be financed by ANAS budget (obviously larger than now) instead of direct state transfers. Direct funding remains for the new “non commercial” roads, i.e. the large majority.

All these measures have the primary purpose to “deconsolidate” ANAS from the Italian public debt. Also, the public ownership, the sovereign guarantee, the status of legal monopoly and the lack of any regulation makes ANAS financial rating high and very attractive for borrowing loans and for private investors.

The plan demonstrates the huge importance of investments in defining the strategy of the actor. ANAS is mainly aiming at becoming an independent subject, independently promoting development plans, increasing revenues, introducing tolls and increasing debt expositions. However, the ambiguous status of public company and of authority, in contradiction with the new role of market agent, was never put into discussion.

Many comments can be drawn on the most questionable aspects of the proposed evolution, especially related to the investment topic:

- Huge increase of the dimension of ANAS in terms of assets, including the whole trunk road network, all the highway concession under expiration and the whole new network that they will decide to build. Also the functions are increasing in number and extent: not only regulator and agent, but also concessionaire of many main roads.
- There is no clear discussion on the most efficient dimension of the road monopolist, which is now matching with national borders. Moreover, it is not demonstrated that further enlarging the dimension of the concession with new roads and functions goes in the right direction.
- No toll regulation is explicitly proposed. ANAS seems to become both the regulated actor and the regulator of itself.

The main argument used to support the evolution is related to investments, in particular the fact that the new rules allows to skip every state budget constraint and that new investments will come “at no cost”. The argument is fictitious. The source of funds for the financing of the new network is supposed to come mainly from the toll revenues. However, part of these revenues will continue to come from the state budget (with another name) and part from users that now have free roads. The projections included in the plan go from 15 millions of real tolls out of 185 millions of total toll revenues in 2012, to approx 1000 millions out of 2800 millions in 2052 (plus the transfers for the investments in the non commercial network). So, the largest part of revenues is still from treasury budget, differently from what stated.

But this is not the main point. Three further aspects must be underlined, stressing the importance of new investments regulation in ANAS strategy:

- The plan is based on the existence and perpetuation of the unregulated monopoly, which can dispose of the *totality* of the national network. Cross subsidisation is the rule, with profitable roads financing the ancillary network. Moreover, the monopoly is not regulated and the ambiguity of ANAS as regulator and concessionaire at the same time is not solved at all.
- The investment plan is the pretext for the increase of the dimension of the “agency”. The national dimension is never discussed. The agent prefers to be the largest possible to avoid competition (also in comparative terms) and to maximise the contracting power.
- The selection of new investments (in other words, the planning of national network) will move from ministry and public agency to a private-like company, whose goal is profit. The list of projects is no more supposed to come from central planning, at least for the main network. The risk of capture and *gold plating* is present, both rising unitary costs due to lack of regulation, and allocating resources out of an efficiency-based framework (Beria and Ponti, 2008).

NEW RAILWAYS AND OVERCAPACITY

The Italian rail network consists of approx. 16.000 km in charge of the national railways (*Ferrovie dello Stato S.p.A.*), plus some 3.500km of conceded local railways. The main operator, *FS*, was formerly a vertically integrated public company in charge of the network and with the legal monopoly on services. After the introduction of liberalisation principles, the group has been divided into a service company (Trenitalia) and a network manager (RFI), plus some smaller specific societies¹⁰. However, all the companies are still grouped under one single public holding, *Ferrovie dello Stato S.p.A.*

The financial soundness of *FS S.p.A.* is scarce. The budget of the company, also including state subsidies, is often performing null or negative operative results (Beria and Ponti, 2008). The liberalisation process in Italy is aligned with Europe, with some specificities. National railways have been unbundled, but tracks and services are still under the same state owned holding. Tracks are a legal monopoly managed by one single company and its tolls are defined via a decree. No *subsidy-cap* mechanisms exist. No discussion on the minimal efficient dimension of the network took place and the concession is one for the whole country. On goods sector, there is a penetration of new-entrants for approx. 10% in terms of tonn·km. For passengers, Trenitalia is still the monopolist both for long distance and regional services, even if both markets are legally opened (some new rail companies are nearly ready to enter in the market of high speed and some regions performed bids, always won by Trenitalia or by consortia including it). *FS* group is absent in logistics.

Rail investments with no remuneration

Historically and presently, all new investments, especially those involving infrastructures, are fully state financed. In general, investment costs are transferred from public purse to RFI, that spends it. These subsidies are ruled by a contract, called “*Contratto di Programma*”, that includes the list of new projects that RFI will build and the cost for it.

The new infrastructures (or new equipments), excluding high speed lines, are never supposed to remunerate the investment, but only the running costs including maintenance. The amortization is *not* due for the new infrastructures financed by state transfers, except for part of the high speed network.

The Italian high speed network is under construction since the 90s¹¹ and will consist until 2010 in the line Turin – Milan – Rome – Salerno, plus some doublings between Milan and Venice. According to public declarations, the main line was initially supposed to cover the 60% of total investments with revenues from fares. Ten years later the line, not yet completed, is costing much more than expected and only 5,1 billions€ out of 24 are financed by equity, all the rest by public transfers (Ponti and Beria, 2007).

The average available capacity is described in the plan as “wide”. It is likely that no capacity constraints will exist after the construction of the main HS network Turin-Salerno. Only some terminals or urban sections suffer of congestion and must limit the introduction of new trains. Much more problematic in limiting the services is the lack of availability of appropriate rolling stock.

The ratio underlining the investments is contradictory.

The HS network under construction is positively seen by *FS*, because it is the only one capable to host profitable services. The investment cost has been paid for a very small share by the group, but the revenues constitute the largest part of total traffic revenues. Moreover, the HS service is seen as the only one attractive for the users and is thus necessary to improve the image of the company.

To the contrary, the largest part of the conventional network (and probably the majority of the HS extensions) is requested by the political bodies, with the exclusion of some urban doublings that are necessary to solve bottlenecks. *FS* and Trenitalia will not benefit of the extra capacity provided by doublings and new secondary lines, because the present capacity is still largely sufficient.

Moreover, the investments had, historically, also the function of hiding the lack of liquid resources. The transfers to *FS* for the investments constituted until 2000 a source of available money. However, the present definition of such transfers does not allow the “surround” anymore.

Finally, it is worth noting that the large capacity now existing on the main commercial network can also be a threat for the public company. The Italian long distance market is substantially opened and potentially very

¹⁰ In charge, for example, of commercial revitalisation of major stations (“Grandistazioni”) or of estates development (“*FS Real Estate*”).

¹¹ With the exclusion of the Florence – Rome direct line dating back to the 80s.

attractive, despite the cross-subsidies benefiting FS. Some newcomers are entering in the market and picking the most profitable services only, thanks to the fact that the available capacity is large.

AN AIRPORT IN EVERY CITY

The majority of Italian airports are managed by concessionaires, with the exception of some minor airports managed directly by the Civil Aviation authority. Often airports are franchised by public companies owned by local authorities. Only few private airports exist, especially among the larger ones. In particular, Rome and Naples airport systems have been privatised and the discussion about the Milan one is frequently at stake, even if not yet decided. Concessions are 40 years long.

Regulatory mechanisms have been modified in 2007 (Beria and Ponti, 2008). Both in 2000 and 2007 regulatory frameworks, a point of weakness raises in the issue of investments remuneration. Exactly as for any other regulated sector, investments that improve efficiency and give temporary extra profits to the concessionaires must not be remunerated. The concessionaire will decide independently whether it is worth doing that investment or not, and pay for it. Only when an investment gives a net social surplus, but not a benefit for the concessionaire, it must be publicly financed or paid by users through an increase of tariff.

A problem arises when *any* investment financially feasible at a given increase of tariff is proposed and then approved. This seems to be the situation of Italian airports regulation, where ENAC, that is called to approve investments and consequent tariff increase, do not perform any kind of *public* evaluation. The procedure usually followed should be the approval of a contract (“*contratto di programma*”) that may include various new investments, without an explicit estimation of their effect on demand, efficiency and profits¹². In these cases there is no distinction between financially feasible investments (decreasing costs or rising demand) to be paid by airports and socially desirable ones: *all* investments are paid by an automatic increase of tariffs or by public transfers.

This fact is giving to the concessionaires a strong incentive to overinvestment. The outcome is that all Italian airports suffer of *overcapacity*, except Linate and Fiumicino (Sebastiani, 2004). Then, every expansion or investment is not unlocking new demand, before constrained, because no unsatisfied demand exists.

A second incentive to develop extra-capacity comes also from the local authorities, that tend to build and operate as much airports as possible¹³. This is due both to consensus practices (the airport is seen as a necessary tool for regional development), but also because of the expectations of large rents in a period of expanding air market.

CONCLUSIONS

The present regulatory framework in Italy gives to the agencies many tools to enforce their positions, to increase profits or to minimise efforts. Aside to the “usual” tools described by literature (informative rents in contracts, capture power, dominant positions in the market, cross subsidies, etc.), this paper adds the issue of infrastructural investments.

We stress that the incumbent agencies are intensively using the tool of investments and the related informative rents on actual costs, to avoid the effects of regulation, because investments field is weakly regulated. The strategy of the agents is to take control also of the planning procedures and maximise the investments, in order to soften or avoid the regulatory pressure. For the regulated sectors, such as airports or highways, the investments are used to maximise profits thanks to a wrong toll regulation, usually focusing on services and fares. For the less regulated sectors, such as railways, the maximisation of investments has the traditional meaning of increasing the contracting power by expanding the assets.

ANAS, being a “newcomer” among the concessionaires, is a fundamental example of the aggressive strategic behaviours in this issue. Their strategy is heavily focusing on the relationship between infrastructural investments and market regulation, exploiting the weaknesses of the normative framework and the absence of an independent transport regulator. The evolution ANAS proposes for itself is to move from being a purely operative agent, becoming a planner and private-like investor. The argument of skipping national debt constraints is used to make attractive the industrial plan to the political decision maker, capturing it. The

¹² However, for reasons that cannot be discussed here, no contracts have been signed recently.

¹³ Italy there are more than 100 airports, some of them really small, and nearly all of them are performing investments and expanding capacity.

counterpart of this, is the unlimited expansion of the dimension and power of the former agent that becomes a huge monopolist concessionaire.

The Italian highways explicitly benefited of an ineffective and favourable regulation, in order to maximise their financial value. The favourable conditions are based on the issue of the investments, that extend the concession on the basis of development plans proposed by the concessionaire and never assessed in terms of costs and utility by the regulator. The fact that the “regulator” (ANAS) is also a “potential” concessionaire is clearly introducing a conflict of interests: why ANAS should apply a stringent regulation and limit investments, if it plans to apply tolls and maximise their own investments? The statement included in the plan that the two roles will not conflict is not realistic at all.

Similar is the case of airport concessions, where the regulator ENAC is not limiting the investments, since they are wanted and paid by local authorities or paid by higher tariffs. The capture of it may be supposed. The airport companies, on their side, do not have any incentive to minimise investments, since the more facilities they build, the higher are the tariffs and the profits.

Railway sector is not lucrative and not regulated. For these reasons the use of investment is still limited to the expansion of the assets and to the tentative of surviving the competition with air and private car.

The general policy indication, discussed somewhere else (Beria and Ponti, 2008) is to subtract the topic of investments remuneration to the concessionaires, with the exclusion of the endogenous ones.

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