

**MASSIMILIANO PACIFICO**  
**Political Science Department**  
**University of Turin**

**July 2006**

## **THE LIBERALISATION OF PUBLIC UTILITIES IN ITALY.**

### **1. Foreword**

What is the point of liberalising public utilities? And how far has the liberalisation process gone in Italy? The paper will illustrate the reasons why liberalisation of such services is thought to be advantageous for consumers, and will describe the main steps in a process that is still under way and thus not yet complete. The first section is dedicated to the fundamental principles regulating the provision of *services of general economic interest* throughout Europe, while the second part will describe the highpoints that have characterised the process of assimilating European regulations into the Italian context.

The Italian pathway has been a very mixed one: for national services (telecommunications, electricity, gas) significant reform processes have begun that are substantially consistent with European principles. As an example, the case of energy will be described; this is a service that is undergoing gradual opening to the market, slowly reducing the income of the previous national monopolist.

On the contrary, for local services (local transport, water and environmental services) European trends have been virtually disregarded: thanks to exceptions granted by the Italian parliament, local authorities have been able to continue employing management models of the past, which are effectively in contrast with the European plan. In other words, local authorities still operate in a monopolistic regime, through the companies that they own, thanks to extensions that have allowed them to continue in-house providing, and have indefinitely postponed the principle of

competition. This approach is clearly shown in the almost complete lack of competitive procedures for the attribution of services on a local scale.

The final part of the paper is thus dedicated to determining some of the reasons that may explain the light and dark areas of the process of implementing the European policy.

## **2. The European plan**

The European Union recognises the basic role played by *services of general interest* as a fundamental element of European citizenship, as a tool for social and territorial unity, but also as a means to safeguard and promote the competitiveness of the European economy: these services must be *accessible*, of *good quality*, and provided at *affordable prices*. Whatever the type of company providing such services, public or private, the public authority must not only define obligations and functions of the service, but is also responsible for regulating the market and must guarantee that the rules are respected by those providing the service. To do this, member states should thus avail themselves of independent controlling Regulation Authorities with the power to apply sanctions (White Paper, 2000).

Not all services of general interest, however, have similar characteristics: there are substantial differences between social and health-related services and public services provided through a network or grid system: the public utilities. The position of the European institutions with regard to the public utilities is clearly defined, and states that a single competitive European market must be created: as has already come about in some liberalised sectors - telecommunications and air transport - this contributes not only to lowering prices but also stimulates competition among operators in terms of investments (for example through technological improvements) and leads to a diversification of the services offered by these operators. So what is the fundamental theory that underlies the European policy of liberalising public utilities? Why must they be liberalised?

First of all it must be said that this theme has been constantly on the European political agenda for several years: already at the end of the eighties the European Union aimed at achieving a gradual opening of the public utilities markets, starting with telecommunications. The interest in creating a single market, however, also extended to local services (local public transport, refuse collection, water services) that were traditionally provided by public companies owned by local authorities and operating as monopolies.

The Treaty of Amsterdam of 1997 formally sanctioned the entrance onto the European agenda of the liberalisation policy, which is recognised as one of the most appropriate tools to guarantee better and less expensive services for private citizens and for companies. These goals can be achieved through greater efficiency in allocating resources and in managing production processes. That is, the changes must produce more benefits for the community and increased competitiveness for firms, and thus for the entire country. Nevertheless there is no a wide consensus about the positive impact of liberalisation process and somebody underlines the controversial effects (Noaksson, 2005: 29). However, European legislation never limited itself to the simple introduction of competition, but has always provided for guarantees to ensure that services continue to meet certain quality standards. When necessary, together with liberalisation measures, standards for health and safety are also legislated for, together with obligations concerning how prices are to be determined.<sup>1</sup>

The European plan thus defines the framework within which these goals must be pursued in harmony with some fundamental European principles: free circulation of goods, services and capital within the European Union; sound management of companies that provide services and transparency of procedures for contracting them out and financing them; attribution of functions of supervision to independent bodies<sup>2</sup>.

The EU also indicates the essential characteristics that these services must possess: *universality*, which varies over time and depending on social, economic and technological changes, understood as the right for everyone to receive a

---

<sup>1</sup> Report by the Commission on services of general interest presented to the European Council at Laeken, 2001

<sup>2</sup> Many articles of the EC Treaty are involved, for example articles 16, 81, 82, 86, 87, 153.

predetermined and uniform set of services; *neutrality* with regard to the ownership regime - public or private - of the company providing the service; *subsidiarity*, which attributes to member states the determination of the level of government most appropriate to provide the service to its citizens, as well as defining the nature and scope of the services that it is intended to provide;<sup>3</sup> *proportionality*, guaranteeing there will be no discrimination between companies and prohibiting State aid, that is a lack of restrictions on competitiveness excepting in exceptional cases.

## 2.1 *A gradual and non-traumatic process*

Frequently the term "liberalisation" is associated with the idea of *deregulation*, that is the elimination of rules and/or the determination of prices exclusively by free-market criteria. To neutralise these stereotypes, the EU has stressed on the contrary that liberalisation is a tool finalised to achieving social and territorial unity: the final goal is "controlled" liberalisation, that is to say a gradual opening of the market, accompanied by measures to protect the public interest and by the creation of independent structures to supervise the application of these principles. And in fact in sectors where they have been set up, these Authorities have to date shown themselves to be successful in assisting market opening processes, unlike what has occurred in sectors without an independent third party.

Lastly, the theme of liberalisation is often wrongly associated with that of *privatisation*. It must be stressed that these two terms are not synonymous: indeed, they have profoundly different meanings. Privatisation means selling the assets of state-owned companies, for example infrastructure, to private subjects that then provide services to the community: the sale may concern part or all of the assets. However, the European Commission remains indifferent and neutral with regard to this point, expressing no opinion concerning the nature of the company (public or private) that provides a service.

---

<sup>3</sup> Report by the Commission of 27.11.2002 on the state of proceedings concerning the guidelines on the question of state aid for services of general economic interest.

On the contrary, liberalisation means guaranteeing that no company – of whatever type – enjoys a position of favour, but that all have the same obligations and the same rights: this is the chief concern of the EU, which reserves the right to intervene if there are unjustified restrictions to the principle of competition, unless they are indispensable to the public interest.

### **3. What has happened in Italy? A two-speed liberalisation process**

During the 1990s, a combination of internal and external factors started up a process of radical reforms, whose common denominator was to clean up public accounts in preparation for Italy's entrance into the economic and monetary union: in this process, Europe's role with regard to Italy was that of rescuer (Ferrera, 2003: 243).

There thus came into being a context in which great emphasis was laid on the need to rationalise public resources and improve the management of services: at least three significant factors accelerated this process:

1) the severe crisis in public finances caused chiefly by the deficit affecting public companies, including those providing public services, which in turn drastically reduced the sums that the State transferred to local authorities. This phenomenon is, incidentally, common to many other European countries, and constitutes one of the chief thrusts to the creation of a European policy on competition and the single market (Giraudi, 2003: 140).

2) the discovery of a widespread system of illegality and bribery that linked the world of politics, public companies and the division of power (this was known as Tangentopoli, or Bribesville) and that was one reason for the dramatic increase in the cost of services;

3) changes in the electoral system at both the local and the national level – from a proportional system to a majority system – and the introduction of the principle of subsidiarity. This helped to make elected governments more responsible to the voters and at the same time increased the stability of politics in the medium-

long term. In practice, it became easier for citizens to determine who was responsible for good or bad management of the community they live in, be it local or national. As is obvious, these changes produced strong pressure on city mayors and on all those who were elected directly. In substance, a mechanism was created that rewarded those public administrators who managed to achieve better results in governing their communities of reference.

The interaction of these three factors produced some important interventions including in the public utilities sector, where it gave rise to a massive corporate transformation of the chief public companies. However, this did not automatically lead to privatisation, as is often thought: these companies became joint stock companies, thus private subjects, the public companies ceasing to exist. In some cases, especially those of national companies, significant proportions of shares were put onto the market, or alternatively mixed companies were set up *ex novo* that included the presence of private capital. These transformations encouraged an entrepreneurial style of management, which took the concrete form of restructuring, greater efficiency and economy, and more attention was paid to the results achieved. Furthermore, the European regulations on competition and state aid were extended to include companies that provide services of general economic interest: it was no longer possible to cover operating losses with injections of public money.

Although there are other factors connected with national events, the European integration process forced Italian legislation to be updated in line with that of the European Union. European directives on different questions were assimilated, although in a sequence of steps and limited to certain sectors, that is telecommunications, public transport, the postal service, electricity and gas. Independent Authorities were set up for different sectors (the Authority for energy and gas; the Authority for communications) as well as a national Antitrust authority. In some sectors, such as air transport and electronic communications, it was easier to achieve an almost complete liberalisation, whereas in other sectors, for example those with the characteristics of natural monopolies, the reform process has begun but is not yet completed.

If we look at the national reform plan, it emerges that a fundamental and priority goal is the separation between ownership of infrastructure and service

management; a second goal is the gradual opening of markets, thus enabling the entrance of new operators alongside the incumbents: by acting thus, the entrance barriers would be removed and the monopolies would slowly be reduced, together with the monopolist's profits. In brief, the end goal of this strategy is to modify the role of the State, and that of local authorities, in the economy: from owner, manager and regulator of services, they should become market regulator alone.

To understand to what extent this strategy has been put in place in Italy and what progress it has made to date, though, it is necessary to distinguish between national services and local services. There are two distinct processes that have led to two different results. On one hand, in the national markets for the principle services the process has begun and remains to be completed; on the other hand, for local services progress has been more difficult and, in recent years, has even gone into reverse. In the local context, the initial phase was characterised by a spirit of coming into line with European regulations, and began with water and environmental services, a market that has a specific nature and requires integrated management throughout the service cycle. During 2003, though, national institutions introduced exceptions to the European plan allowing tenders to be postponed, and thus extending management through in-house provision of services by local authorities. This has certainly not helped to bring order to the situation, since the responsibility of the local authority ought to be limited to defining the set of requirements that services must meet.

#### **4. A return to the past: the case of local services**

Starting from 2003, even those sectors that were gradually opening to the market at the local level, in line with European principles, underwent a sudden slowdown. What happened? The new legislation concerning local authorities fixed three different ways to provide public utilities, as follows: *in-house* by a public company fully owned by local authorities; provision by a *mixed company*, in which the private partner was chosen by tender; provision after a traditional *tender*, from

among all-comers. This law allowed a kind of extension of the previous situation and at the same time left the power to choose the company providing a public service in the local authorities hands. Indeed, a lot of ex public companies held a tender only for the private partner, who usually brought in new money useful for further investments, continuing to control the company as a whole with a majority of shares. Thus administrations that were ready to call for tenders either shelved the procedure or put it on hold, exploiting the new regulation that was more advantageous for them. Despite this, between 2000 and 2005, something happened with regard to tenders.

In the *water sector*, only 11 tenders were held to allocate the service and 12 to select the private partner in a mixed company, in which the majority was usually the public authority.

In the *gas sector*, starting from 2000, the national regulations concerning liberalisation came into force, and 30 tenders were held, chiefly in small municipalities. The mean duration of the concession was 12 years.

With regard to *local public transport*, the competitive mechanism started when national legislative measures were put in place, first in 1997 and then in 1999, which introduced the obligation to hold tenders for management of the service: the extension for existing concessions granted before the new regulations came into force was at most until 2003. However, the 2003 deadline was first postponed for two years and then annulled, when in-house provision again became legal. Thus the panorama of local public transport is still very far from being uniform and there are significant differences among Italian regions: in fact, the south is still an area badly behind both with regard to regional programming and on the subject of tenders. In the central and northern regions, on the contrary, regional regulations covering the sector, or regional transport plans, were first of all adopted which fixed the criteria for organisation of the service, in some cases also entrusting significant functions to provincial administrations.

While in the sector of local transport, as in other sectors, in-house provision has predominated, where tenders have been held there has been, first and foremost, an economic saving for the administrations, as well as a reorganisation with regard to the supply of services. For example, in Lombardy, the number of companies has dropped

but their average size has increased.<sup>4</sup> With regard to other results achieved where tenders were held, it is of note that very often it was the incumbent that won the tender, with relatively slight price reductions. In the very few cases in which new operators won the tender, legal action was taken that led to the tender being suspended or annulled.

From this picture it appears that the liberalisation process has been obstructed by local authorities, or at least that they have worked to delay it as long as possible. But why should the local authorities have an interest in doing this? Many believe that the first reason lies with the numerous functions that the local authorities are responsible for, and which inevitably produce superimposition, confusion and (unwarranted) interference (Vigneri *et al.*, 2005).

The local authority is at one and the same time owner of the infrastructure, service manager and market regulator. It is obvious that each of these roles brings with it a different interest, and that it is hard to reconcile them effectively in a single subject: as owner of the infrastructure in a monopoly regime the first role is tending to maximise income and thus profits. In fact, the good results enjoyed by these companies, at the local level, is also confirmed for 2005. For example, the ACEA Group – holding of the Municipality of Rome that provides water and electricity services – reported an increase of 13.9 per cent in profits and a dividend up 24.3 per cent from 2004: this means that they will put 53.3 million euro into the coffers of the Municipality of Rome<sup>5</sup>. Others local public companies have demonstrated excellent performances concerning annual returns: AEM Milan +11 per cent, ASM Brescia +34.7 per cent, HERA +41 per cent, Enia (multiutility created from the coalition of companies of Parma, Piacenza and Reggio Emilia) + 18 per cent.<sup>6</sup>

The second role is the service manager: in a monopoly market local authority tends to minimise costs – saving for example on maintenance – even to the detriment of the quality of the service and in any case does not have to compete with other operators in the market; lastly, the aim of the body regulating market operation is to

---

<sup>4</sup> HERMES Observatory, Tenders to assign the local public transport service in Italy, edited by Cambini C. and Galleano F., Report updated to May 2005

<sup>5</sup> Corriere della Sera – Cronaca di Roma – March 16<sup>th</sup> 2006, p. 5.

<sup>6</sup> Data from [www.clickutility.it](http://www.clickutility.it)

improve quality and reduce costs, which tends to minimise the income of the monopolist to the advantage of the consumers.

To resolve this conflict of interests, it is necessary to work on at least three fronts: a) to separate ownership of infrastructure from service management; b) to start up competitive procedures to assign service management; c) to strengthen the role of the local authority as regulator.

With the return to in-house provision, on the contrary, the Italian legislator again risks creating wide areas of inefficiency: higher tariffs for the consumers, which are not based only on costs; maximised income for the monopolist, and thus timid corporate strategies (each company continues operating in its own reference territory without attempting to expand and find a position on the European market) and little incentive to investment and innovation (Monti, 2000). Incidentally, even where natural monopolies exist – for example water services, which function best when the entire production cycle of the service is managed by a single company – competition for attribution of the service may in any case come about if the entire service is entrusted to one company for a fixed time, better if not too long (the average time at present is 30 years). In conclusion, even in the natural monopolies there are mechanisms that could guarantee fair competition based on investment plans, price offers and better quality of service.

#### *4.1 Strengthening local authorities as a response to the boost towards liberalisation*

A reconstruction of the state of the art with regard to local services prepared by Confservizi<sup>7</sup> indicates that only 3.4 per cent of companies are entirely in private hands: in the remaining cases, in 73 per cent the municipal authorities are sole owner of the company and in 23.6 per cent the municipal authorities hold a majority stake and thus control the company. Furthermore, the local authority – thanks to its role as

---

<sup>7</sup> *Servizi Pubblici, sviluppo, regolazione, compatibilità sociale e ambientale*, Quaderni Confservizi, Report on Local Public Services (2004). (Development, regulation, social and environmental compatibility)

sole or majority shareholder – decides the governing structure of the company and (on average in 85 per cent of cases) appoints the top management, frequently selecting someone from the public sector.

The local companies' fear of being sold to private subjects, or that private monopolies would take the place of public monopolies, has been averted: surprisingly, the opposite has come about. During these years, the local authorities have strengthened their market position by buying up private companies, or by forming strategic alliances with other players (for example publicly-owned companies operating in neighbouring areas). This is what has happened, for example, in gas distribution, in the production and distribution of electricity, in water and refuse collection.

In some cases the alliances are between companies in the same sector, and their purpose is to extend the geographic area under management; in other cases, though, alliances have been created between companies operating in different sectors: in this case the strategy is to expand into other sectors, forming multi-utility companies.

If to this new pattern of publicly-owned companies we add the postponement, but perhaps it would be more accurate to say the rejection, of competitive methods such as tenders to award services (and in the few cases in which tenders are held they are won by the incumbents) and the systematic use of in-house provision, we may conclude that we are in a situation in which there is neither liberalisation nor privatisation. In practice, it appears that the corporate interests of local authorities have prevailed over the principles sanctioned by the Treaty.

Lastly, it must be remembered that these circumstances do not only penalise other possible operators in the sector, but have a negative effect on the very companies managing the services: the national Antitrust Authority has determined that the capacity for growth of companies operating in competitive sectors is higher than that of those acting in markets where there is little or no competition (Annual Report, 2005).

## 5. A semi-liberalisation: the electricity sector in Italy

Italy's energy needs are met, for 70 per cent, by hydrocarbons (oil and gas) and to a lesser extent by coal and by renewable sources, which only account for a minimum part of demand: nuclear power is no longer practicable, having been abolished by a national referendum after the serious accident at Chernobyl. It is therefore clear that the price of Italian energy is closely linked to the price of hydrocarbons.

The electricity sector generally takes the form of a natural monopoly<sup>8</sup> and the firms operating in the electricity and related sectors usually control all phases of activity, which are integrated vertically: production, transmission and marketing. In Italy, the chief companies in the sector became State owned in 1963. Starting from the 1980s, however, with the spread of new technologies it has been possible for different companies to operate independently while using the same grid: in practice, it is possible to measure and bill energy flows belonging to each operator separately (Ranci, 2005).

The push towards liberalisation of the energy sector was not only the result of technology, but also of the need to privatise, above all in order to assist public finances and reduce the national debt. The initial stages in the reform were, firstly, the transformation of the monopolies in the two sectors (Enel in the electricity sector and Eni in the gas sector) into private companies, followed by the sale of their shares on the market: control of the companies, however, remained firmly in State hands.

The second stage should have been distinguished by enforcement of the separation between ownership and management of the grid,<sup>9</sup> but the measures adopted were found to be very weak. Indeed, the national directives only required the corporate separation of the grids, and thus did not prohibit new companies, set up to manage the electricity grid and gas network, from belonging to the same industrial group: the ex-monopolists thus had neither any reason nor any obligation to give up

---

<sup>8</sup> Grids can only be duplicated or multiplied at prohibitive cost.

<sup>9</sup> Access to the grid must be allowed to all those interested in transporting energy, to sell it or to buy it. To guarantee the principle of non-discrimination of access, whoever controls the grid should have no interest in the energy field; thus there must be separation between those managing and those using the infrastructure

control of the infrastructure. And yet Enel, the electricity ex-monopolist, though not being able to control more than 50 per cent of the market, nevertheless remains in a dominant position; control of the national gas market is also in the hands of a single public operator (Eni) that controls the two chief gas pipelines importing gas from Russia and Algeria. A fundamental part of the reform is the independent Authority regulating the energy sector, with strong powers of intervention, set up in 1996. However, in more recent years, the Authority's powers have been limited, increasing those of the Ministry, which prefers to regulate energy policies directly and in a pervasive fashion.<sup>10</sup> In practice, the State is in a situation of conflict of interests: if the market becomes more open, the value and profitability of publicly-owned companies decreases, and their capacity to help to reduce the public debt follows suit.

The results achieved up to now in the energy field are partial, and the reform appears only to have been half finished: on one hand, for large consumers there is now more choice, with an advantage in terms of price and supply conditions; small-scale consumers are now protected by clearer regulations concerning their rights, and in general the quality of service has improved; investments in electricity generation have resumed: the new or renovated power stations that are about to come on line will make the supply more adequate to the demand and provide greater efficiency, enabling some cost reduction (Ranci, 2005). On the other hand, the market does not appear to be moving towards true competition but rather a duopoly. For gas, the supply needs to be increased by importing liquid gas, which can be purchased anywhere in the world and transported by sea: however, rigasification plants will be needed and their construction entails a long bureaucratic process, and in any case is strongly contested by local communities and authorities. For electricity, the capability to import energy from abroad needs to be greatly increased, at present being limited to only 12 per cent. In other words, the reduction of the ex-monopolists' market share may not be sufficient to ensure that market conditions are established in the energy sector. On the contrary, it would be appropriate to extend the borders of the electricity market by linking it with other neighbouring national markets with whom to trade energy (Biancardi, Fontini, 2005: 88 ).

---

<sup>10</sup> On the direct involvement of the Government in regulatory decisions, and the erosion of powers of the independent Authorities, see Napolitano, 2005 p. 24.

### *5.1 A comparison with other countries and the emerging European energy policy*

In the UK and the Scandinavian countries, liberalisation during the period 1995-1999 reduced companies' production costs and generated a 0.3 per cent increase in GDP. In the Scandinavian countries, many local electricity companies have remained in public hands, but they have updated to operating in a competitive context, eliminating the national monopolistic regimes. In the case of Great Britain, the liberalisation process has been radical. The large national grids and networks have been clearly separated, that is placed in the hands of independent companies quoted on the stock exchange: no producer has more than 20 per cent of the market. In the wholesale and retail gas markets there is strong competition.

The picture is positive: prices have come down thanks to fierce competition and the significant improvement in efficiency, employment naturally has decreased considerably in the production, transport and distribution companies, while commercial and financial activities have increased and the market has numerous operators, of different nationalities, in all phases of activity. Investments have been considerable, in particular thanks to foreign capital, and have resulted in the creation of excess generation capacity.

Even if there are still significant differences among European countries there is hard evidence about the need for a common European energy policy: it was affirmed for the first time just in 2005. This need could be met by electricity grids and gas networks becoming inter-connected and if both reserves and risks were managed jointly, not on a national but on a European scale. The Commission's Green Paper on energy (March 2006) confirms this trend. No European country is capable independently of providing for its own energy requirements and thus it is necessary to reason in terms of a single market.

## Conclusions

Liberalisation of public services should be included among policies generated by the process of europeanisation, a process understood as the series of influences produced among European and national structures in establishing both *politics* and *policies* (Fabbrini, 2003: 7). These influences are translated - by the EU towards the individual countries - into pressure to adapt, and obviously they do not have the same consequences everywhere. The result of such pressure is closely linked to the degree of compatibility of European and national structures: in countries with a high degree of compatibility, the pressure is less, whereas in those with a low degree of compatibility the pressure will be greater. In other words, the effect of the pressure - and thus the success or failure of a European policy - depends on the existence of facilitating factors or hindering factors in each country (Cowles, Caporaso, Risse, 2001). Among facilitating factors, for example, is the presence of actors in that country who share the European choice and the reasons for the pressure; on the contrary, among hindering factors is the presence of actors who do not share the European rationale and have an interest in neutralising the process so as to continue maximising their own profits.

As we have argued, in the Italian context, liberalisation meets with more hostility than favour: the support for these policies is not at all widespread and the idea still prevails that a massive State presence in the economy is necessary. In the last analysis, there are some strong actors, well organised and with far from negligible interests, who up to now have prevailed over other actors, more numerous, more fragmented and not yet compact.<sup>11</sup> To explain the reasons for this hostility it is sufficient to consider three open questions.

The first consists in the continual conflict underlying the privatisation and liberalisation processes. Today, the public-owned companies that supply services of public utility have a dual role: on one hand they are private companies, and may therefore raise private capital for the purpose of expanding and consolidating on the market; on the other hand, these same companies gain an undue advantage from the

---

<sup>11</sup> That is, all the consumers who would benefit from better services, and companies who aspire to compete with services provided by public companies.

fact that they continue to operate in a monopoly context (or in any case in strongly dominant market positions) thanks to the protection provided by the very public authorities that possess a controlling holding. Indeed, the rates of profitability of such companies record higher growth than those of companies operating in sectors open to competition.<sup>12</sup> This situation, favourable from all standpoints, contributes to increasing the value of assets and the operating results (earnings and dividends) of these companies, which is in favour of both private investors and public shareholders. This is one of the reasons why the public authorities do their utmost to defend the national and/or local companies and postpone the opening of the markets.

Secondly, liberalisation is obstructed because it comprises a threat to the corporate interests of the strongest actors: governments, trade unions and service managers. For the political powers – and thus Government coalitions – that continue to maintain a direct link with the controlled companies, to liberalise would mean reducing the revenue for public finances and leave them with fewer possibilities of meddling in these companies' affairs; for those now managing the service, the change to a competitive system would make inroads into their monopolist's profits with all that is implied in this; the trade unions of the present workers know that with liberalisation there would be a concrete risk of job losses (as happened in the UK) or the end of the more favourable conditions for the workers they represent (an example in the airline sector is what is now happening at Alitalia). On the other hand there are other advantages, and above all there are other stakeholders, who currently have less ability to apply pressure: the consumers, who would receive a better service (in terms of quality and of price) and the other companies in the sector, that is the *newcomers*. To compensate for a loss of jobs in the incumbent company there would be increased employment in the other companies entering the market. Despite this, all legislative interventions in Italy over recent years have been designed more to protect the interests of some types of actors than to favour the general interest.

Lastly, the final element needed to complete the reform concerns the difficult transition from the State as manager to the State as regulator. Though it is true that the chief advantage of the liberalised framework should be that of releasing the

---

<sup>12</sup> At the national level, for example, the company Terna, which manages the national electricity grid, closed 2005 with a net profit up 28.9 per cent and dividends up 13 per cent.

institutions from their role as providers (direct or indirect) of the service and placing them in the position of guaranteeing the proper functioning of the market, in Italy this trend is having trouble becoming consolidated. It is probable that a culture of regulation is still lacking, in particular one of independent regulation, and instead a mixed model prevails whereby the State both regulates and manages the service. As long as those who fix the rules continue to be also the players, it will not be possible to guarantee impartiality. Thus not only the weight but also the quality of regulation must be strengthened, since public interest is now protected more through rules than through ownership of companies (Ranci 2006: 31).

In substance, after an intense season of effective reforms in the economic field, above all with regard to tackling public debt, Italy is going through a new phase of stagnation and indecision, which makes it impossible to complete the hoped-for process of change. The attempt to return to the past, desired and put into practice in the main by a small number of tendentious actors, shows on the part of the entire system a substantial weakness in regard to producing innovation in public policies.

## References

**Amato, G.**, 2005 *Privatizzazioni, liberalizzazioni e concorrenza nel sistema produttivo italiano*, in *Sviluppo o declino*, edited by L. Torchia and F. Bassanini, (Firenze: ASTRID, Passigli editori).

**Autorità garante della concorrenza e del mercato**, 2005, *Relazione annuale sull'attività svolta*, 30 April, pg. 8 e ss.

**Autorità per l'energia elettrica e il gas**, 2005, *Relazione annuale alla Commissione Europea sullo stato dei servizi e sulla regolazione nei settori dell'energia elettrica e del gas*.

**Biancardi A., Fontini F.**, 2005, *Liberi di scegliere? Mercati e regole nei settori dell'energia*, (Bologna: AREL, Il Mulino).

**Boitani A.**, 2004, *Concorrenza e regolazione nei trasporti*, on *Economia e Politica Industriale*, n. 124, (Milano: Franco Angeli).

**Cambini C., Galleano F., 2005, *Le gare per l'affidamento del servizio di trasporto pubblico locale in Italia*, II° Report – HERMES Observatory (Turin).**

**Commission of the European Communities;**

COM (2001) (598) of 17.10.2001, Report to the Laeken European Council.

COM (2003) (270) of 21.05.2003, Green Paper on Service of General Interest.

COM (2004) 374 final of 12.05.2004, White Paper on Service of General Interest.

COM (2006) 105 final of 08.03.2006, Green Paper. A European Strategy for Sustainable, Competitive and Secure Energy.

**Confeservizi, 2005, *Utilitatis. Osservatorio sulle gare per i servizi pubblici locali*, First Report (Rome).**

**Confservizi, 2005, *Servizi Pubblici, sviluppo, regolazione, compatibilità sociale e ambientale*, Quaderni Confservizi (Rome).**

**Cowles M., Caporaso J., Risse T., 2001, *Transforming Europe. Europeanization and domestic change*, (Cornell University Press).**

**De Vincenti C., 2005, *Dopo il nuovo art. 113 del TUEL: come creare un'anatra zoppa*, on P. Polidori (edited by) *Politiche locali e organizzazione dei servizi pubblici economici*, (Milano: Franco Angeli).**

**De Vincenti C., Termini V., Vigneri A., 2005 *La retrovia in mezzo al guado: lo stallo dei servizi pubblici locali in Sviluppo o declino*, edited by L. Torchia e F. Bassanini, (Firenze: ASTRID Passigli editori).**

**Di Porto F., 2003, Regolazioni di prima e di seconda generazione. La liberalizzazione del mercato elettrico italiano, *Mercato concorrenza regole*, a. V, n. 2 August, (Bologna: Il Mulino).**

**Di Porto F., Silva F., 2005, Riformare le utilities è difficile: il caso elettrico italiano, *Mercato concorrenza regole*, a. VII, n. 1 April, (Bologna: Il Mulino).**

**Fabbrini S., 2003, *L'europeizzazione dell'Italia*, (Roma – Bari: Laterza).**

**Giraudi G., 2003, *L'europeizzazione della politica della concorrenza e dell'autorità garante della concorrenza e del mercato*, on Fabbrini S., (edited by) *L'europeizzazione dell'Italia*, (Roma – Bari: Laterza).**

**Gobbo F., 2005, La regolamentazione dei servizi: introduzione, on *L'industria*, a. XXVI, n. 1 January - March, (Bologna: Il Mulino).**

**Graziano P., 2004, *Europeizzazione e politiche pubbliche italiane*, (Bologna: Il Mulino).**

**Il Sole 24 Ore**, (Financial Newspaper) edited by Orazio Carabini;  
(2006) *Cura dimagrante per lo Stato imprenditore*, 25 February.  
(2006) *L'ora del municipio-padrone*, 15 March.

**Lanza S., Silva F.**, 2006, *I servizi pubblici in Italia: il settore elettrico*, (Bologna: Il Mulino).

**Lanzillotta L.**, 2004, *Controliberalizzazioni: il caso del trasporto locale a Roma*, in *Mercato concorrenza e regole*, n.3 December, (Bologna: Il Mulino).

**Lanzillotta L.**, 2005, *Aziende locali: crescere per il mercato o per consolidare il monopolio?*, published on *Europa* newspaper, 12 May.

**La Spina A., Majone G.**, 2000, *Lo Stato regolatore*, (Bologna: Il Mulino).

**Monti M.**, 2000a, *I servizi pubblici locali nel quadro della politica di concorrenza comunitaria*, Report presented to the congress on *Le liberalizzazioni e le privatizzazioni nei servizi pubblici locali* organised by the Fondazione Montedison on 20 March in Milan.

**Monti M.**, 2000b, *Liberalizzazioni e concorrenza*, Report to the Italian Parliament (Constitutional Affaire), 28 March.

**Napolitano G.**, 2005, *Regole e mercato nei servizi pubblici*, (Bologna: Il Mulino).

**Noaksson N.**, 2005, *Taking stock of the liberalization of public utilities. Can structural reforms bring the Lisbon strategy back on track?* Report 93, European Trade Union Institute for Research, Education and Health and Safety, Brussels.

**Radaelli C.**, 2003, *Europeanization of Public Policy*, on Radaelli C. and Featherstone K. (edited by) *The Politics of Europeanization* (Oxford University Press).

**Ranci P.**, 2005, *Concorrenza e liberalizzazione: il caso dei servizi energetici a rete*, on *Sviluppo o declino*, edited by L. Torchia and F. Bassanini, (Firenze: ASTRID, Passigli editori).

**Sorace D.**, 2003, *La desiderabile indipendenza della regolazione dei servizi di interesse economico generale*, in *Mercato Concorrenza e Regole*, a. V, n. 2 August, (Bologna: Il Mulino).

**Scarpa C., Boitani A., Panteghini P., Pellegrini L., Ponti M.**, 2005, *Come far ripartire le liberalizzazioni nei servizi* in *Oltre il declino* edited by T. Boeri and others, (Bologna: Il Mulino).

**Vigneri A., De Vincenti C.**, (edited by) 2006, *Le virtù della concorrenza. Regolazione e mercato nei servizi di pubblica utilità*, (Bologna: ASTRID, Il Mulino).