



Prime Minister's Office
DEPARTMENT FOR EUROPEAN POLICIES

SGEI REPORT 2022
SERVICES OF GENERAL ECONOMIC INTEREST
TWO-YEAR PERIOD: 1 JANUARY 2020 - 31 DECEMBER 2021

**In accordance with Article 9 of Decision 2012/21/EU of 20 December 2011 and Point 62
of Communication 2012/C 8/03 of 24 December 2011.**

INTRODUCTION

This 2022 report concerns the compensation exempt from prior notification of the Commission in accordance with Article 2 of Decision 2012/21/EU of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest, as well as data on compensation subject to prior notification of the Commission pursuant to point 7 of Communication 2012/C 8/03 of 24 December 2011 on State aid in the form of public service compensation.

The Italian authorities have drawn up this report on the basis of the information and data provided directly by the authorities responsible for the sector, completing the forms drawn up by the European Commission.

The Report provides details of government expenditure on the basis of the SGEI package for the period from 1 January 2020 to 31 December 2022, and provides an overview of the amounts of aid paid in Italy by the relevant authorities, including at regional level.

The general coordination was handled by the Department for European Policies, as a matter of course, in order to draw up the Report.

In addition to describing the application of the SGEI Decision and the SGEI Framework, the 2022 Report also covers the expenditure incurred by public authorities within the meaning of the SGEI rules for each of the two years covered by the survey. It lists the amounts of aid paid in Italy by regional and local authorities, reports any implementation difficulties encountered, and also refers to any complaints submitted by third parties.

Specifically, the Report refers to the sectors listed below, broken down in accordance with the SGEI rules:

- *social housing;*
- *air links and airports;*
- *maritime links;*
- *postal services.*

The National Register of State Aid referred to in Article 52 of Law No 234/2015, as amended, and Ministerial Decree No 115/2017 ensures the management and supervision of State aid granted to undertakings, as well as overseeing compliance with SGEI transparency requirements, since all the information it contains is public. The Register also prevents the registration of aid exceeding the ceiling for the SGEI sector.

SGEIs RELATING TO AIR LINKS AND AIRPORTS

1. EXPENDITURE OVERVIEW

General government expenditure within the meaning of the SGEI Decision and the SGEI Framework *		
	2020**	2021**
<i>Compensation for Services of General Economic Interest (1+2)</i>	€53 059 997.29	€53 723 226.04
1) Total compensation granted on the basis of the SGEI Decision	€23 523 608.15	€23 500 247.46
2) Total compensation granted on the basis of the SGEI Framework	€29 536 389.14	€30 222 978.58

* The amounts include 10% VAT.

** The amounts relate to expenditure on the air links concerned, supplemented by the information concerning SGEIs at airports received from the Regions.

2. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION

➤ **AIR LINKS TO ISLANDS WITH AVERAGE ANNUAL TRAFFIC NOT EXCEEDING THE LIMIT SET IN ARTICLE 2(1)(d).** (Point 2, item 3 of the Instructions — Annex 1 note from the European Commission of 29 January 2020)

Clear and comprehensive description of how the respective services are organized in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the **contents of the services entrusted as SGEI** as clearly as possible.

SGEIs under this heading (including scheduled air service links to and from islands with annual average traffic not exceeding 300 000 passengers in the two years prior to the year of entrustment of the service of general economic interest) are governed by Regulation (EC) No 1008/2008.

That Regulation allows Member States to impose public service obligations (PSOs) in order to derogate from the current principles of liberalisation of air transport, thus guaranteeing the right to mobility of users and residents of a given territory that is not adequately connected.

In using this option and acting, therefore, to ensure territorial continuity on its national territory, Italy, in line with the EU provisions referred to above, has imposed PSOs on the air routes referred to below. This has been done to ensure a minimum provision of scheduled air services satisfying fixed standards of continuity, regularity, pricing or minimum capacity, which air carriers would not comply with if they were solely considering their commercial interest.

Moreover, scheduled air services constituting SGEIs are always identified by decree of the Minister for Infrastructure and Sustainable Mobility once the routes and content for public service obligations have been identified (ceilings, minimum capacity in terms of seats offered, minimum frequency, etc.) by an inter-departmental conference attended by the Ministry of Infrastructure and Sustainable Mobility, the ENAC and the regions concerned.

Should no EU air carrier accept the links without exclusivity and financial compensation, the scheduled air services can be granted exclusively, even with financial compensation in the event that the routes are not financially sustainable, using the tender procedures specified in Article 16(10) and Article 17 of Regulation (EC) No 1008/2008.

Routes examined

Lampedusa - Palermo and vice versa, Lampedusa - Catania and vice versa, Pantelleria - Palermo and vice versa, Pantelleria - Catania and vice versa.

The islands of Pantelleria and Lampedusa are classified as developing peripheral areas. These routes have low-density traffic and are essential for the economic and social development of the territory.

The imposition of public service obligations on links to and from Pantelleria and Lampedusa is justified by the fact that these islands are geographically disadvantaged and are extremely peripheral regions. Maritime links are not, in fact, a valid alternative to air links because of the distance to be travelled by sea and because of the very variable weather conditions at sea.

Air services under the PSO system guarantee regular links all year round and ensure mobility for the local population who, for health, educational, official reasons, etc., must travel from Pantelleria and Lampedusa to the main Sicilian towns and return home on the same day.

As regards the content of the service entrusted as an SGEI, please note that:

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- with effect from 1 July 2018, the new PSOs referred to in Ministerial Decree No 550 of 28 November 2017, as amended, entered into force, published in the Italian Official Gazette — General Series No 299 - of 23 December 2017. The Decree also authorised these aforementioned routes: Lampedusa - Palermo and vice versa, Lampedusa - Catania and vice versa, Pantelleria - Palermo and vice versa, Pantelleria - Trapani and vice versa, and also the route Pantelleria - Catania and vice versa. The five routes were operated by Danish Air Transport A/S, on the basis of exclusivity and compensation, from 1 July 2018 to 30 June 2022.

For the content of the OSP (in terms of frequencies, flight schedules, fares, number of seats offered, etc.), please refer to the technical annex to Ministerial Decree No 550/2017.

Alghero — Milan Linate and vice versa, Alghero — Rome Fiumicino and vice versa, Olbia — Milan Linate and vice versa, Olbia — Rome Fiumicino and vice versa.

The purpose of the SGEI in question — common to that of all SGEIs as regards the connections between the main airports in Sardinia (Alghero, Cagliari and Olbia) and those in Rome and Milan (so-called CT1 routes) — is to ensure the island is connected to the rest of the country, thereby guaranteeing the right of people to mobility and helping to ensure the economic and social development of the Region.

The fact that Sardinia is an island seriously restricts its links with the rest of Italy, thus giving air transport a key role without any valid comparable alternatives: the only alternative transport link with the rest of Italy is by sea. The CT1 routes must be regarded as essential in that they connect the above Sardinian cities with Rome and Milan, centres of health excellence and important administrative (Rome) and economic-financial (Milan) centres. In addition, the connection with the national hubs in Rome Fiumicino and Milan Linate allows users easy access to the various places of interest in those cities and to use multiple transport services to reach other cities in Italy and abroad.

In the two years in question, the routes Alghero-Milan Linate and vice versa and Alghero - Roma Fiumicino and vice versa were operated, with the original agreement being extended by Alitalia SAI SpA to 14 October 2021.

As far as the content of the service entrusted as an SGEI is concerned, frequencies, flight schedules, fares, number of seats offered, etc. are specified for each route up to 14 October 2021 in the technical annex to Ministerial Decree No 61 of 21 February 2013; from 15 October 2021, frequencies, flight schedules, fares, number of seats offered, etc. are specified for each route in the technical annex to Ministerial Decree No 357 of 14 September 2021.

Explanation of the (typical) forms of entrustment. If standardized templates for entrustments are used for a certain sector, please attach them.

- The entrustment involving the air carriers was formalised by contract (with one contract for each route in the case of Sardinia) following a tendering procedure within the meaning of Articles 16 and 17 of Regulation (EC) No 1008/2008, which was implemented only after approval by Decree of the Director of the Directorate-General for Airports and Air Transport (since 2021 Directorate-General for Airports, Air Transport and Satellite Services). In addition to applying the results of the European tendering procedure, this measure approves the agreement — concluded between the contracting authority and the successful carrier — governing the operation of scheduled air services on the routes concerned and granting the carrier the right to operate the service on an exclusive basis and, where appropriate, with financial compensation. For the Sardinian routes, the extended contracts were awarded by Decision of the Region of Sardinia, to which, pursuant to Article 1(837) of Law 296/2006, the functions relating to Sardinian territorial air continuity were transferred.
- No standardised templates are used.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified.
In the present cases, the maximum duration laid down for the type of entrustment, within the meaning of Article 17 of Regulation (EC) No 1008/2008, is 4 years.
Explanation whether (typically) exclusive or special rights are assigned to the undertakings.
The air carrier is granted the right, for the predetermined period, to operate the scheduled air service exclusively and with financial compensation.
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
Direct State/regional aid.
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.
<p>The maximum amount of annual compensation available under the tender is calculated as follows, based on a cost allocation methodology:</p> $Cmp = Cp - Rp$ <p>where</p> <p>Cmp = Compensation available under the tender</p> <p>CP = Presumed SGEI costs (including reasonable risk and profit margin) estimated based on the size of the service</p> <p>Rp = Presumed SGEI revenue.</p> <p>The exact amount of compensation to be paid is determined at the end of each year of service, based on the analytical accounting records submitted by the carrier providing details of the actual costs incurred and revenue effectively generated by the service, within the maximum amount indicated in the bid and in accordance with the requirements of the tender specifications.</p> <p>Under no circumstances may greater compensation be paid than provided for in the bid.</p>
Typical arrangements for avoiding and repaying any overcompensation .
<p>The mechanism to avoid overcompensation consists of the criteria for granting compensation and setting a maximum compensation ceiling.</p> <p>In particular, the compensation is paid as follows:</p> <ul style="list-style-type: none"> - <u>Monthly advance</u>: after having produced the traffic data for the previous month, the selected carrier is paid, on a monthly basis, an advance of 70% (for the Sardinian route) or 80% (for the Sicilian routes) of 1/12 of the annual amount of compensation. - <u>End-of-year balance</u>: at the end of each year of service, the contracting authority establishes the balance payable based on the number of flights actually operated by the carrier and the analytical accounting records submitted by the carrier for the route in question. The contracting authority thus analyses the activities detailed by the carrier with respect to the

obligations it has assumed and the financial results of the routes, and also with respect to the statements made by the carrier in its tender. The balance of the compensation is paid based on this analysis, in accordance with the following criteria:

1. If the carrier has flown fewer flights than required under the public service obligation, the agreed compensation is reduced.
2. If the costs of the service are lower than the revenue generated, no compensation is payable.
3. If the costs of the service are higher than the revenue generated, the compensation is equal to the difference: costs (including a reasonable profit margin) minus revenues, although within the limit of the compensation established in the bid.
4. If all the advances provided as above exceed the compensation due, based on the verification carried out by the contracting authority, the overcompensation received by the carrier must be paid back so that it can be reused to ensure continuity for the regions concerned.
5. If the loss made by the carrier is greater than estimated by the carrier in the bid, under no circumstances may greater compensation be paid than provided for in the bid.

In practice, the final balance may be settled in the years following the relevant year.

A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

No aid of over €15 million on an annual basis was granted to any of the SGEIs concerned. In any case, for Sardinia, all the main information on the contracts awarded, including SGEIs, is published on the website of the Autonomous Region of Sardinia in the 'Transparent administration' section, in accordance with Article 37 of Legislative Decree No 33/2013 on publication obligations relating to public works, services and supply contracts. The data are presented by year and in tabular format at the following link:

<http://www.regione.sardegna.it/j/v/2592?s=1&v=9&c=14661&na=1&n=10&nodesc=1>

Amount of aid granted (including 10% VAT)

Total amount of aid granted This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2020	2021
€23 223 608.15	€23 500 247.46

A: Total amount of aid granted paid by national central authorities

2020	2021
€7 547 820.64	€7 547 820.64
B: Total amount of aid granted paid by regional authorities	
2020	2021
€15 675 787.51	€15 952 426.82
C: Total amount of aid granted paid by local authorities	
2020	2021
/	/
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2020	2021
<p>The shares of expenditure for each aid instrument break down as follows:</p> <p><u>Links between the Pantelleria and Lampedusa airports and those of Trapani, Palermo and Catania:</u></p> <ul style="list-style-type: none"> - 66.6% share paid by the State - 33.3% share paid by the Region of Sicily. <p><u>Links between Alghero and Olbia airports and Milan Linate and Rome Fiumicino:</u></p> <p>100% share paid by the Region of Sardinia</p>	<p>The shares of expenditure for each aid instrument break down as follows:</p> <p><u>Links between the Pantelleria and Lampedusa airports and those of Trapani, Palermo and Catania:</u></p> <ul style="list-style-type: none"> - 66.6% share paid by the State - 33.3% share paid by the Region of Sicily. <p><u>Links between Alghero and Olbia airports and Milan Linate and Rome Fiumicino:</u></p> <p>100 % share paid by the Region of Sardinia</p>

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2020	2021
<ul style="list-style-type: none"> - As regards the above boxes, there are three beneficiaries for the air transport sector under the PSO system (one for routes to and from the small Sicilian islands, and two for routes to and from Sardinia); - Average amount of aid for each route: €2 580 400.91. - The calculation of the amounts of aid in the above section is based on the amounts actually paid in 2020, which include 10% VAT. 	<ul style="list-style-type: none"> - As regards the above sections, there are three beneficiaries for the air transport sector under the PSO system (one for routes to and from the small Sicilian islands, and two for routes to and from Sardinia); - Average amount of aid for each route: €2 611 138.61; - The calculation of the amounts of aid in the above boxes is based on the amounts actually paid in 2021, which include 10% VAT.

- **AIRPORTS WITH AVERAGE ANNUAL TRAFFIC NOT EXCEEDING THE LIMIT SET IN ARTICLE 2(1)(e) OF THE 2012 SGEI DECISION** (*point 2, item 4 of the instructions - Annex 1 note from the Commission* - compensation for the provision of services of general economic interest relating to airports with average annual traffic not exceeding 200 000 passengers in the two years prior to the year of entrustment of the service of general economic interest.

The only report concerning the airport sector which we received is from the Tuscany Region.

Therefore, the data in the following section — which are reproduced verbatim from those authorities — concern SGEIs for the following airport:

- Elba — Marina di Campo managed by the company Alatoscana S.p.A.

Clear and comprehensive description of how the respective services are organized in your Member State
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
The Region of Tuscany, by means of Article 137 of Regional Law No 66 of 27 December 2011 (2012 Finance Law), states that Marina di Campo Airport constitutes a service of general economic interest for the regional authority within the meaning of Article 106(2) of the Treaty on the Functioning of the European Union (TFEU). Article 137 of Regional Law 66/2011 states that, ‘in accordance with EU and national law, the Regional Executive may cover the costs borne

when activities relating to security, fire-fighting, air traffic control, policing and customs, are performed by the management company'. The subsequent Regional Executive Decision No 565 of 25 June 2012 implementing the provisions of Article 137 of Regional Law No 66/2011 lays down the obligation for the operator of Marina di Campo Airport to keep the airport open for 365 days per year, with a 15-day exemption for infrastructure works.

The Tuscany Region therefore imposed an obligation on the operator of Marina di Campo Airport on Elba to ensure support for continuous air links throughout the year. The service provided by the airport operator therefore consists of the provision of airport services to support scheduled flights to and from an island territory. The airport operator Alatoscana S.p.A. pointed out that, following the issue of airport certification by the Italian Civil Aviation Authority (ENAC) on 27 December 2013, it became apparent that it was necessary to exceed the derogations from ENAC's sectoral regulations, which set limits on airport operations, affecting the profitability of flights and hence the market operators potentially interested in operating at the airport. Measures aimed at exceeding (or mitigating) these derogations were set down in an action plan drawn up by the airport operator. Failure to implement the action plan would lead to a downgrading of the airport because it would be impossible for the ENAC to continue the derogations for an indefinite period, and would mean a loss of support for scheduled traffic. In this context, implementing the action plan means assuming the service obligation. As a result of the above, the Tuscany Region decided to proceed as follows.

Please note that Decision 2012/21/EU applies to compensation for the provision of services of general economic interest for airports with average annual traffic not exceeding 200 000 passengers in the two financial years preceding that in which the SGEI was entrusted, and Marina di Campo Airport has traffic well below that threshold, standing at between approximately 700 and 17 000 passengers, not only in the last two years for which data are available (2019 and 2020), but also in the previous decade. Furthermore, according to Decision 2012/21/EU, 'the costs associated with investments, in particular in infrastructure, may be taken into account when they are necessary for the operation of the service of general economic interest' and may therefore be compensated.

Explanation of the (typical) forms of entrustment. If standardized templates for entrustments are used for a certain sector, please attach them.

There are no entrustment templates. Eligible compensation related to service obligations is set out in acts of the Regional Executive which, in accordance with Regional Law No 66/2011, define: the subject matter and duration of the entrustment, the undertaking involved, the nature of the exclusive or special rights which may be conferred on the undertaking by the authority assigning the entrustment, the details of the compensation mechanism and the parameters for calculating, controlling and reviewing the compensation, as well as steps to prevent and potentially recover any overcompensation. As regards the parameters for verifying overcompensation, the values referred to in Article 5(5) to (7) of the SGEI Decision are taken as a reference. See, to that effect, Regional Executive Decision No 1142 of 3 August 2020, which replaces and updates the previous Regional Executive Decisions No 582/2019 and No 1111/2017.

The implementing acts, which detail the relationship between the Tuscany Region and the beneficiary, and include preliminary estimates of eligible compensation, are approved by decree of the director responsible (Executive Decree No 19196 of 29 December 2017 and subsequent

Executive Decree No 11444 of 27 June 2019, and subsequent addendum to Executive Decree No 16746 of 6 October 2020), in accordance with the SGEI Decision and the other acts of the administration. The relations between Tuscany and Alatoscana S.p.A. are therefore set down in an act of a contractual nature.
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified.
The SGEI lasts for a maximum of eight years. This time period has a major impact on the SGEI since delays adversely affect the compliance of the airport. Due to the fact that the obligations which are the subject of the entrustment consist mainly in carrying out work, time limits have been adopted which include delays of a foreseeable nature. The agreement governing relations between the Tuscany Region and Alatoscana S.p.A. therefore provides for the possibility, in agreement between the parties and following completion of the measures identified as being linked to the SGEI, to take note of the fact that the obligations have been met, while reducing the duration of the SGEI.
Explanation whether (typically) exclusive or special rights are assigned to the undertakings.
In the present case, the exclusive right is not conferred by an act, since the airport carries out its activities on premises owned by the company which manages it (compared with the usual case where the airport operator is the concessionary of a State-owned civil aviation domain). However, Marina di Campo airport on Elba is the only airport on the island.
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
The instrument adopted is a direct subsidy.
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.
The compensation mechanism is based on a cost allocation methodology.
Typical arrangements for avoiding and repaying any overcompensation .
<p>The compensation is paid after the expenditure relating to the operations actually completed and documented has been reported. The final amount of compensation will be determined on the basis of the costs actually incurred for eligible investments, including expenditure on planning, purchase of land, testing, preliminary investigations, works, purchase of goods, revision and implementation of procedures. The costs are documented by the beneficiary by sending invoices and documentation relating to the purchase or procurement procedures, as well as documentation proving the completion and commissioning of the assets or infrastructure eligible for compensation. The following are required for the work: copy of the executive design; permit; financial framework of expenditure following award; timetable of work; call for tenders; contract; minutes of the tendering sessions; certificate of acceptance or proper performance, where applicable.</p> <p>The beneficiary must indicate the investment to be compensated on the accounting documents sent for payment.</p> <p>The overcompensation control mechanism described above makes it possible, on the one hand, to carry out checks prior to the submission of the company's annual balance sheet and, on the other,</p>

to clear the final amount of compensation following completion of the adjustment measures, thus minimising the bank exposure of the operator (it is possible for the operator to request advances), which must advance the resources. When the company's balance sheet is submitted, checks are made to ensure that the compensation paid does not exceed what is actually necessary for the balance sheet. In case of overcompensation, the excess amount must be returned to the Tuscany Region.

A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

The amount of aid granted to Alatoscana in the form of compensation for the provision of SGEI is below the threshold of EUR 15 million.

Amount of aid granted

Total amount of aid granted This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2020	2021
€150 000.00 (amount allocated within the year)	€0.00 (amount allocated)
€300 000.00 (amount paid, including amounts outstanding from previous years)	€0.00 (amount paid)
A: Total amount of aid granted paid by national central authorities	
2020	2021
0	0
B: Total amount of aid granted paid by regional authorities	
2020	2021
€150 000.00 (amount allocated within the year)	€0.00 (amount allocated)
€300 000.00 (amount paid, including amounts outstanding from previous years)	€0.00 (amount paid)

outstanding from previous years)	
C: Total amount of aid granted paid by local authorities	
2020	2021
/	/
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2020	2021
Direct grant: 100%	/
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2020	2021

3. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI FRAMEWORK

➤ **AIR LINKS TO ISLANDS WITH AVERAGE ANNUAL TRAFFIC EXCEEDING THE LIMIT SET IN ARTICLE 2(1)(d) OF THE 2012 SGEI DECISION** (*Item v of point 3 of the Instructions — Annex I note from the European Commission dated 29 January 2020*)

➤

Clear and comprehensive description of how the respective services are organized in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the **contents of the services entrusted as SGEI** as clearly as possible.

SGEI under this heading (including air service links to and from islands with annual average traffic exceeding 300 000 passengers in the two years prior to the year of entrustment of the service of general economic interest) are governed by Regulation (EC) No 1008/2008.

That Regulation allows Member States to impose public service obligations (PSOs) in order to derogate from the current principles of liberalisation of air transport, thus guaranteeing the right to mobility of users and residents of a given territory that is not adequately connected.

In using this option and acting, therefore, to ensure territorial continuity on its national territory, Italy, in line with the EU provisions referred to above, has imposed PSOs on the air routes referred to below. This has been done to ensure a minimum provision of scheduled air services satisfying

fixed standards of continuity, regularity, pricing or minimum capacity, which air carriers would not comply with if they were solely considering their commercial interest.

Moreover, scheduled air services constituting SGEI are always identified by decree of the Minister for Infrastructure and Sustainable Mobility once the routes and content for public service obligations have been identified (ceilings, minimum capacity in terms of seats offered, minimum frequency, etc.) by an inter-departmental conference attended by the Ministry of Infrastructure and Sustainable Mobility, the ENAC and the regions concerned.

Should no EU air carrier accept the links without financial compensation, the air services can be granted exclusively, even with financial compensation, using the tender procedures specified Article 16(10) and Article 17 of Regulation (EC) No 1008/2008.

Routes considered

Cagliari — Rome Fiumicino and vice versa, Cagliari — Milan Linate and vice versa.

The purpose of the SGEI as regards the connections between the main airports in Sardinia (Alghero, Cagliari and Olbia) and those in Rome and Milan (so-called CT1 routes) is to ensure the island is connected to the rest of the country, thereby guaranteeing the right of people to mobility. The fact that Sardinia is an island seriously restricts its links with the rest of Italy, thus giving air transport a key role without any valid comparable alternatives: the only alternative transport link with the rest of Italy is by sea. In particular, for the section in question, the above routes should be regarded as essential in that the relevant airports connect the city of Cagliari with Rome (the most important political administrative centre of the nation) and Milan (economic, manufacturing, financial and national health capital), thus establishing a direct link with the main centres of supply of the so-called ‘National Citizenship Services’ (education, health, labour and mobility), towards which regions characterised by different levels of remoteness and isolation usually gravitate. Access to these centres is therefore one of the main pillars of Sardinia’s economic and social development strategies. In addition, the connection with the national hubs in Rome Fiumicino and Milan Linate allows users easy operational access not only to the city centres and the respective central stations in those cities, but also to multiple transport services to reach other cities in Italy and abroad.

As far as the content of the service entrusted as an SGEI is concerned, frequencies, flight schedules, fares, number of seats offered, etc. are specified for each route up to 14 October 2021 in the technical annex to Ministerial Decree No 61 of 21 February 2013; from 15 October 2021, frequencies, flight schedules, fares, number of seats offered, etc. are specified for each route in the technical annex to Ministerial Decree No 357 of 14 September 2021. Finally, during the two-year period in question, the routes in question were operated as follows: Cagliari - Rome Fiumicino and vice versa, Cagliari - Milan Linate and vice versa by the carrier Alitalia until 14 October 2021, with the original agreement extended from 15 October by the carrier Volotea, selected under the emergency procedure pursuant to Article 16(12) of Regulation (EC) No 1008/2008.

Explanation of the (typical) forms of entrustment. If standardized templates for entrustments are used for a certain sector, please attach them.

- The entrustment with the air carriers was formalised by contract following a tendering procedure within the meaning of Articles 16 and 17 of Regulation (EC) No 1008/2008. The entrustment extension was awarded by Decisions of the Region of Sardinia, to which, pursuant to Article 1(837) of Law 296/2006, the functions relating to territorial air continuity were transferred.

<p>Subsequently, following an emergency procedure under Article 16(12) of Regulation (EC) No 1008/2008, the contract with the successful tenderer was approved by Decree of the Director of the Directorate-General for Airports, Air Transport and Satellite Services.</p> <ul style="list-style-type: none"> - No standardised templates are used.
<p>Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified.</p>
<p>In the present cases, the maximum duration laid down for the type of entrustment, within the meaning of Article 17 of Regulation (EC) No 1008/2008, is 4 years.</p>
<p>Explanation whether (typically) exclusive or special rights are assigned to the undertakings.</p>
<p>The air carrier is granted the right, for the predetermined period, to operate the scheduled air service exclusively and with financial compensation.</p>
<p>Which aid instruments have been used (direct subsidies, guarantees, etc.)?</p>
<p>Direct regional aid.</p>
<p>Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.</p>
<p>The maximum amount of annual compensation available under the tender is calculated according to the following formula:</p> $Cmp = Cp - Rp$ <p>where</p> <p><i>Cmp</i> = Compensation available under the tender</p> <p><i>CP</i> = Presumed SGEI costs (including reasonable risk and profit margin) estimated based on the size of the service</p> <p><i>Rp</i> = Presumed SGEI revenue.</p> <p>The calculation is based on the analytical accounting records submitted by the carrier providing details of the actual costs incurred (including reasonable risk and profit margins) and revenue effectively generated by the service, limited to the maximum amount indicated in the bid and in accordance with the requirements of the tender specifications. The exact amount of compensation to be paid is determined at the end of each year of service, based on the analytical accounting records submitted by the carrier providing details of the actual costs incurred and revenue effectively generated by the service, limited to the maximum amount indicated in the bid and in accordance with the requirements of the tender specifications.</p> <p>If the loss made by the carrier is greater than estimated by the carrier in the bid, under no circumstances may greater compensation be paid than provided for in the bid.</p>
<p>Typical arrangements for avoiding and repaying any overcompensation.</p>
<p>Determination of a ceiling for compensation and the criteria used for granting compensation avoid any overcompensation. The air carrier selected cannot demand an amount exceeding the maximum agreed amount by way of compensation.</p>

Compensation is paid to the air carrier - once it has produced the traffic figures for the previous month - in the form of monthly sums amounting to 70% of 1/12 of the annual amount, plus a final balance. As mentioned above, at the end of each year of service, the contracting authority establishes the balance payable based on the analytical accounting records submitted by the carrier for the route in question. The balance of the compensation is paid based on this analysis, in accordance with the following criteria:

1. If the carrier has flown fewer flights than required under the public service obligation, the agreed compensation is reduced.
2. If the costs of the service are lower than the revenue generated, no compensation is payable. In certain cases it was decided that some of the additional profits made by the air carrier should be reinvested to lower air fares in the following year.
3. If the costs of the service are higher than the revenue generated, the compensation is equal to the difference: *costs (including a reasonable profit margin) minus revenues*, although within the limit of the compensation established in the bid.
4. If the loss made by the carrier is greater than estimated by the carrier in the bid, under no circumstances may greater compensation be paid than provided for in the bid.

In practice, the final balance may be settled in the years following the relevant year.

A short explanation of how the **transparency requirements** (see Paragraph 60 of the 2012 SGEI Framework) are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

For the Sardinian routes, the publications in question are handled by the Region of Sardinia, to which, pursuant to Article 1(837) of Law 296/2006, the functions relating to territorial air continuity were transferred.

All the main information on the contracts awarded, including the relevant SGEIs, is in fact published on the website of the Autonomous Region of Sardinia in the 'Transparent administration' section, in accordance with Article 37 of Legislative Decree No 33/2013 on publication obligations relating to public works, services and supply contracts. The data are presented by year and in tabular format at the following link:

<http://www.regione.sardegna.it/j/v/2592?s=1&v=9&c=14661&na=1&n=10&nodesc=1>

Please note that the information to be published relates to the information referred to in paragraph 60 of the 2012 SGEI Framework, namely: the participants in the public tender and the successful tenderer, the content and duration of the public service obligations, the amounts of aid granted to the undertaking on a yearly basis.

Amount of aid granted (including 10% VAT)	
Total amount of aid granted This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2020	2021
€29 536 389.14	€30 222 978.58
A: Total amount of aid granted paid by national central authorities	
2020	2021
/	/
B: Total amount of aid granted paid by regional authorities	
2020	2021
€29 536 389.14	€30 222 978.58
C: Total amount of aid granted paid by local authorities	
2020	2021
/	/
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2020	2021
The aid specified in this section is paid fully by the regional bodies involved. In this particular case: Autonomous Region of Sardinia.	The aid specified in this section is paid fully by the regional bodies involved. In this particular case: Autonomous Region of Sardinia.
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2020	2021

<ul style="list-style-type: none"> - number of beneficiaries: 1 - Average amount of aid for each route: €14 768 194.57 - The calculation of the amounts of aid in the above section is based on the amounts actually paid in 2018, which include 10% VAT. 	<ul style="list-style-type: none"> - number of beneficiaries: 2 (1 until 14.10.21 and 1 from 15.10.2021); - Average amount of aid for each route: €15 111 489.29; - The calculation of the amounts of aid in the above section is based on the amounts actually paid in 2019, which include 10% VAT.
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4. COMPLAINTS BY THIRD PARTIES

1. Links to and from Sardinia

As regards the compensation relating to the operation of the routes to and from Sardinia referred to in this report, no disputes were brought before the national courts.

2. Region of Tuscany

To date, there has been no litigation regarding the SGEI in question.

3. MISCELLANEOUS ISSUES

There were no reports of any particular difficulties in applying the SGEI package.

SGEIs RELATING TO MARITIME LINKS

1. EXPENDITURE OVERVIEW

Total SGEI government expenditure on the basis of the SGEI Decision and the SGEI Framework (millions EUR)		
	2020	2021
<i>Compensation for Services of General Economic Interest (1+2)</i>	116.5	86.3
1) Compensation granted on the base of the SGEI Decision.	116.5	86.3
2) Compensation granted on the basis of the SGEI Framework	/	/

2. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION

Clear and comprehensive description of how the respective services are organized in your Member State
<p>Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.</p>
<p>2.1 Maritime services with the largest national islands and Tremiti Islands</p> <p>These services consist of public-service obligations accepted by undertakings that took over the business divisions responsible for providing public-service maritime links of Tirrenia di Navigazione SpA in AS (up to 31 May 2021) and SIREMAR, Sicilia Regionale Marittima SpA in AS, respectively, as a result of the conclusion of the relevant competitive privatisation processes.</p> <p>The public mission identified by the Italian authorities involves the island cabotage routes linking the Italian mainland with the island ports. These routes aim to provide a satisfactory service in terms of regularity and frequency that allows the economic development of the islands and at the same time covers the essential transport requirements of the island communities, protecting their constitutional right to territorial continuity, which the market left to itself would not be able to maintain. For 2020 and until the entry into force of Article 1 of Decree-Law No 45 of 1 April 2021, amended and converted by Law No 75 of 17 May 2021 (Italian Official Gazette No 126 of 28 May 2021) on 'Urgent measures in the field of transport and for the regulation of cruise traffic and maritime freight transport in the Venice lagoon', the figures for the two-year SGEI period 2018-19 remain unchanged; with the entry into force of the aforementioned legislation, the operation of maritime services under public service arrangements between the larger and smaller islands would continue to apply for as long as strictly necessary to allow the conclusion of the procedures launched for the imposition of public service obligations and the award of service contracts pursuant to Article 4 of Regulation (EEC) No 3577/92, with exclusive reference to the routes concerned by those procedures, and in any event no later than 31 May 2021. The Law also stated that, if such procedures were not concluded by 31 May 2021 and solely as regards the maritime links with the larger and smaller islands that were not adequately served by market transport services for persons and goods, the Agreement could be extended for a further 30 days by decree of the Ministry of Infrastructure and Sustainable Mobility, adopted in agreement with the Ministry of Economic Affairs and Finance. Ministerial Decree No 250 of 10 June 2021 extended the Agreement covering the Civitavecchia - Arbatax - Cagliari and Termoli - Tremiti Islands routes for thirty days.</p>

Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.
The privatisation of the above-mentioned undertakings was achieved using tender procedures open to all interested parties and aimed at the sale of such company assets as were functionally necessary for the fulfilment of the public-service obligations concerned. The maritime transport services were thus entrusted to the successful tenderers in the competitive procedures by means of separate agreements until the entry into force of Article 1 of Decree-Law No 45 of 1 April 2021. With the entry into force of the aforementioned legislation, the tendering procedures relating to territorial continuity were launched, in accordance with the measures and rules of the National Transport Regulatory Authority (A.R.T.) in its own Decision No 22/2019.
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified.
In 2012, the eight-year agreement for the former Tirrenia services was concluded, while in 2016 the twelve-year agreement for the former SIREMAR services was concluded. Since 2021, the award of contracts for maritime transport services, subject to public maritime territorial continuity obligations and awarded by means of a tendering procedure, involves a duration of five years for the Napoli - Cagliari - Palermo and Genoa - Porto Torres routes, three years for the Termoli - Tremiti Islands line and six months for the Civitavecchia - Arbatax - Cagliari route.
Explanation whether (typically) exclusive or special rights are assigned to the undertakings.
No
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
Direct subsidies
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.
The 2012 Agreement does not grant the service operator more compensation for any increase in operating costs, in addition to the €72 million. Therefore, the risks associated with such possible cost increases are offset in the manner provided for in the safeguard clause in Article 9 of the Agreement. In essence, therefore, the public service activity carried out by the operators is characterised by the allocation of risks to those operators up to a limit of 3%; in cases where those increases exceed 3%, Article 9 containing the safeguard clause provides for the reassessment of the services under the agreement in order to restore economic and financial equilibrium. The methodology is based on the allocation of the net avoided cost.
Typical arrangements for avoiding and repaying any overcompensation .
The agreements of 2012-2020 (extended to 31 May 2021) for the former Tirrenia and of 2016-20 for the former Siremar, contain detailed provisions ensuring that only services identified as public service obligations will be compensated and that only costs submitted in accordance with the 2007 Directive of the Interministerial Committee for Economic Programming (CIPE), as expressly provide for in Annexes B and C, will be eligible for compensation.

The supervisory authorities perform annual checks using the information from the financial statements of the undertakings, broken down into line items using analytical accounting methods and certified by a chartered auditor, in order to ensure that no overcompensation has taken place. For the contracts concluded since 2021, the rules laid down in Measure 8 of Annex A to ART Decision 22/2019 are applied, according to which, for the purpose of laying down the criteria for calculating the reserve price to cover compensation for PSOs, the contracting authority draws up an Economic and Financial plan (PEF) covering every year of the entrustment, and taking into account the ongoing effectiveness and efficiency improvement process. The purpose of the contracting authority's PEF is to estimate a reasonable amount of remuneration to be used as a basis for the reserve price to ensure economic and financial equilibrium for the entire duration of the contract, and to compare it with the bids submitted by tenderers. When drawing up the PEF, the contracting authority must comply with the criteria set out in the rules contained in the Commission's toolbox governing State aid for the provision of SGEIs (SIEG1 package), as well as in the Public Procurement Code.

The amount of compensation resulting from the PEF is estimated taking into account the income and expenditure of a typical undertaking, efficiently managed and equipped with adequate resources, and taking into account the risk allocation, in accordance with the criteria set out in Measure 9 of Annex A to Decision ART 22/2019. The contracting authority may provide for the direct collection of traffic revenues by the contractor (net-cost contracts). In the case of net-cost contracts, the corporate income risk is allocated entirely to the shipping company. This method has been used in tendering procedures for the award of maritime transport services since 2021.

In addition, in accordance with Measure 10 of the ART, for the purposes of drawing up, or revising or updating, the PEF, the contracting authority must ask the Transport Regulatory Authority (*Autorità di Regolazione dei Trasporti*) for the rate of return on net invested capital to be granted to the shipping company for the provision of the service subject to PSOs during the period of assignment, as a reasonable profit measure. The Transport Regulatory Authority must grant this request within 30 days. The contracting authority uses this amount as a reference for the maximum threshold in the case of entrustments in the form of a contract. The rate of return on net invested capital must be determined by the authority using the Weighted Average Cost of Capital method.

In accordance with Measure 18 of Annex A to Decision ART 22/2019, the duration of the concession period may be divided into several regulatory periods, which cannot exceed five years, for the purposes of verifying the PEF and any overcompensation or undercompensation which has been established in accordance with the provisions of the service concession contracts. Revision of the shipping company's PEF is aimed at verifying the adequacy of the compensation and updating the PEF for the next regulatory period. At the end of each regulatory period, the contracting authority therefore compares the shipping company's PEF for the period in question with the actual results for the purposes of determining any overcompensation or undercompensation compared to the PEF itself. Moreover, at the end of the first regulatory period, the shipping company's PEF is updated for the following period, as a result of both the outcome of the abovementioned check and any changes in forecasts made (e.g. traffic forecasts, inflation, fuel costs, etc.) originally used as a basis for it.

A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or

alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).
Individual payments are published on the official website of the Ministry of Infrastructure and Sustainable Mobility.

Amount of aid granted under the SGEI <u>Decision</u>				
Amount of aid granted under the SGEI Decision (in millions EUR) This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)				
2020			2021	
116.5			86.3	
A: Total amount of aid granted (in millions EUR) paid by national central authorities				
.				
2020			2021	
	116.5			86.3
B: Total amount of aid granted (in millions EUR) paid by regional authorities				
2020			2021	
/			/	
C: Total amount of aid granted (in millions EUR) paid by local authorities				
2020			2021	
/			/	

SGEIs RELATING TO SOCIAL HOUSING

1. EXPENDITURE OVERVIEW

Total SGEI government expenditure by legal basis (millions EUR)		
	2020	2021
Total compensation for Services of General Economic Interest (1+2)	272.91	221.20
1) Total compensation granted on the basis of the SGEI Decision	272.91	221.20
2) Total compensation granted on the basis of the SGEI Framework	----	----

2. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION

Clear and comprehensive description of how the respective services are organized in Italy
 Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the **contents of the services entrusted as SGEI** as clearly as possible.

The following aid instruments were used for social housing:

Subsidised housing: has been managed by the regions since the reform of 2000 and is usually entrusted to the municipalities or other public bodies, including the former Independent Institutes of Public Housing (currently referred to as ALER, ATER, Aziende Casa, ATC, etc.). This type of dwelling is built using public funding in full or in part. The competent bodies must generally ensure balanced financial management by charging rent. Rents are determined by the regions and vary by law according to poverty band from EUR 20 for those without means, up to a maximum of EUR 250 for others.

Assisted/affordable housing: is built by private entities (building cooperatives, building companies or developers) and partly by the former IACP companies with public funding (capital or interest subsidies on low-interest loans; assignment of public land; rezoning of protected areas as residential). Assisted housing aims to provide affordable housing to those with medium-to-low incomes, which is either rented or sold at lower-than-market rents or prices. In either case the applicable economic conditions are established in the agreement for assigning the aid. Funding is granted to entities chosen by means of public procedures. In some areas public operators providing subsidised housing are also eligible for such funding and may take part in the relevant programmes.

As already stated in the previous report, it became clear that, with reference to European State aid rules, in particular the Commission Notice of 19 July 2016 on the notion of State aid as referred to in Article 107(2) of the Treaty on the Functioning of the European Union, a clear distinction should be made between public housing and the other two forms of social housing, namely assisted housing (*edilizia agevolata*) and affordable housing (*edilizia convenzionata*).

The conclusion we have reached that we would bring to the Commission's attention is that public housing is a public service of general interest (SGI) since no 'economic service' characteristics can be found.

After several years of applying the SGEI Framework to the public provision of housing services, it has been established that public housing is a genuine housing service provided on a semi-free basis or for the payment of rent which bears no correlation to any market value or parameter. This service is reserved for the most marginal and disadvantaged categories of citizens, and the rent is therefore a symbolic contribution to the management costs, which is based on a sliding scale geared to the income

levels of the tenants rather than market references. The public housing stock is subject to legal constraints as regards purpose and inalienability.

The assessment of the ‘free’ nature of this service was acknowledged to some extent by the Commission itself in its decision in the ICI/IMU case on the property owned by non-commercial entities for which the rent charged is a *symbolic fee which, in any event, must not exceed half the average price charged for similar activities performed by commercial entities in the same geographical area, also taking into account the absence of any connection with the actual cost of the service* (point 174 of Commission Decision C2012/9461 of 19 December 2012 in case SA.20829).

For these reasons a point was raised during the discussions on the reform of the SGEI rules at the Department for European Policies with a view to having public housing excluded from the State aid rules.

Explanation of the (typical) **forms of entrustment**. If standardized templates for entrustments are used for a certain sector, please attach them.

(Typical) forms of entrustment

Regional laws govern the typical forms of entrustment, supplemented where appropriate by resolutions of the regional council or parliament.

In this case, too, the types of entrustment must be distinguished with respect to public housing and assisted/affordable housing. In the first case, the entrustment is granted to the municipalities or former IACP companies that have full public capital and include the entrustment, in other words the public housing service, in their Articles of Association for an indefinite period. In the second case, entrustments can also be granted to private companies. The entrustments are then usually assigned by means of executive decree or decision, following publication of a regional tender approved by resolution of the regional parliament or by executive decision. Entrustment is subject to an agreement governing the implementation, duties and obligations, methods for determining rent, as well as the duration and performance of the service (maintenance, caretaking, social support measures, etc.).

Average duration of the entrustment (in years) and the proportion of entrustments that are **longer than 10 years** (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified.

Average duration of the entrustment

The public housing entrustments granted to municipalities or former IACP companies last for an indefinite period of time because they are linked to permanent letting, so 100% of these entrustments in every region exceed 10 years.

The duration of entrustments for the implementation of residential building programmes ranges from a minimum of eight years to a maximum of 25 or 30 years (permanent leasing), as confirmed by the survey carried out by the Ministry of Infrastructure in the regions for this report.

For assisted/affordable housing entrustments, the percentage of the entrustments that exceed ten years can be seen from the financial plan set out in each agreement. According to the data collected, the Lazio Region alone indicates, for this type, a percentage of 30% of entrustments of over 10 years.

No entrustments were made directly by the State in the period covered by this report.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

Entrustment of subsidised housing measures is generally assigned by regional laws to public entities (municipalities and former Independent Institutes of Public Housing - IACP) using procedures that could be termed ‘in-house’ entrustment, although subject to formal agreements and economic management criteria.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Direct subsidies, reduced development fees, tax breaks and other tax concessions. Please note that direct subsidies are granted almost exclusively for the construction of housing and not as a general contribution to the provision of general interest social housing.

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

Functioning of the compensation mechanism.

The methods for calculating public financing are based on the following criteria:

- the characteristics and overall surface area of the housing measure, subject to limits established by each region, such as:

- maximum cost per square metre;
- maximum surface area of each dwelling.

- the type of leasing contract agreed for the dwelling, such as:

- leasing with future sale;
- temporary leasing;
- low or agreed rent;
- social rent;

- rent caps.

Public housing rents are set by the regions and vary from a poverty band with minimum rents of EUR 20 to EUR 50 for those below the poverty line, over which rent is paid in line with means, increasing to a maximum of EUR 250 per month, except in special circumstances. The main reference for the rent for assisted/affordable housing is based on the figures from the territorial agreements signed pursuant to Article 2(3) of Law No 431/1998 (agreed rent).

Rents for affordable housing are set by the municipalities by means of special agreements with the implementing body, the municipalities themselves monitoring compliance with the agreements. A standard portion of building costs and other expenditure (purchasing of sites, technical costs, etc.) is covered. The budget must specify the amount of public funding allocated to the operator, which is taken into account when determining the costs actually incurred and the amount of relevant benefits to be passed on to the end-user of the housing (tenant or buyer).

Rents for assisted housing are set by the municipalities based on the sales price as stated in the relevant agreements with the implementing bodies.

In accordance with Article 6 of Decree-Law No 47/2014, converted into Law No 80/2014, entities performing new building, extraordinary maintenance work or renovation of existing buildings intended for social housing – until possible redemption by the tenant and in any case for a period not exceeding 10 years from the date of completion of the works – are eligible for following tax benefits: a) income from the rental of the same social housing is not considered corporate income for income tax purposes; b) 40% of such income is not counted towards net output value for the purposes of regional tax on productive activities.

Granting of such benefits is legally subject to authorisation by the Commission in accordance with Article 108(3) of the TFEU.

Overcompensation and possible repayment.

The sector is evolving. All regions use standardised percentages for construction costs and the duration of the relevant entrustments. Calculating actual construction costs together with other specific technical items is considered an instrument for avoiding overcompensation. However there is an evident need for more detailed compensation control and verification of the absence of overcompensation in order to be able to raise objections with the operator in an effective manner and retrieve any overcompensation.

CONTROL OF COMPENSATION

(ARTICLE 5 OF THE SGEI DECISION - AFFORDABLE AND PUBLIC HOUSING)

Control of compensation is based on a system that pre-existed the applicable European rules on State aid for the provision of SGEIs. This system is based on cost ceilings provided for public residential housing and is governed by the Ministerial Decree of 5 August 1994, as amended; the system also relies on verifications of building types and limits on the surface area of dwellings through the completion of the relevant Technical and Economic Templates (hereinafter QTE).

Cost ceilings express the maximum permitted expenditure for the Regions and Autonomous Provinces when determining admissible costs for public and affordable housing, reflecting a current quality standard based on minimum acceptable conditions in accordance with the applicable regulations (Circular No 28 of 16 January 1995 of the Committee For Residential Building of the Ministry of Public Works, on cost ceilings).

Cost ceilings are established based on the type of building work to be done: new building, renovation of existing stock, or extraordinary maintenance.

As a calculation mechanism allowing reliable determination of compensation, the QTE contains all of the amounts derived from the various cost ceilings applied, organised by housing type (subsidised and assisted) and the type of building work to be done (new building, renovation, extraordinary maintenance).

The QTE templates were approved by Decree No 81 of 4 July 1996. Some regions, due to the transfer of tasks, have adapted these models to their specific powers. The QTE is the essential technical and economic document for a project from the time it is admitted for funding. It contains all the metric and parametric data needed to carry out the work on aspects falling within the affordable housing segment (size parameters of each dwelling, finishing, common spaces, unit costs, among others). It must be completed in advance for admission to funding, during the award or variant phase, and again when the project is completed and prior to payment of the final balance. It is therefore an effective system for avoiding overcompensation of the costs of housing work, since the balance is always paid after the costs incurred by the beneficiary have been checked (eliminating the need for retrospective claw-back).

Following the entry into force of the Commission's 2012 SGEI Decision, and in order to update and improve the control system for compensation, on 10 July 2014 the regions and autonomous provinces approved Document No 14/090/CR8/C3-C4 on 'The role of the Regions and the Autonomous Provinces in implementing the State aid framework for the provision of SGEIs in the housing sector: guidelines for the application of Commission Decision 2012/21/EU'.

This document contains the guidelines for applying the SGEI Decision with a template for public and affordable housing Budgets, which is currently being used on a trial basis and requires projections for the full duration of the public service obligation.

In the case of public housing with a 'permanent' service obligation, the Budget contains projections over 30 years, or the average life cycle of a building. Finally, as a result of the decentralisation of tasks, some regions have regulated and adopted different calculation methods. A summary of the systems adopted is set out below.

Calculation of the overcompensation

Campania and Sardinia	Verification using the QTE (Technical Economic Framework) before, during and after each operation, with the ceilings laid down by regional decree.
Piedmont, Veneto, Friuli Venezia Giulia, Liguria, Emilia Romagna, Tuscany, Marche, Molise	Verification using the QTE (Technical Economic Framework) before, during and after each operation with the ceilings laid down by Regional Decree + a PEF (Economic and Financial Plan) drawn up in accordance with the model annexed to the Guidelines approved on 10 July 2014 by the Presidents of the Regions.
Lazio, Apulia, Basilicata, Calabria	Verification using the QTE (Technical Economic Framework) before, during and after each operation with the ceilings laid down by regional decree + calculation system drawn up by the region itself.
Lombardy	Calculation system drawn up by the individual region.

Specific arrangements for calculating overcompensation developed by the different regions

Lombardy	System set out in Regional Law No 8/2016. For ATER, the model provides for an 'asset performance' indicator based on overall cost and revenue data. For private individuals, the model is based on the calculation of the IRR (Internal Performance Rate) with ex ante and ex-post verification of the PEF.
Lazio	Verification using the QTE (Technical Economic Framework) prior to, during and after each operation with the ceilings laid down by Regional Decree + system established by Regional Decree No 944/2017, which consists of drawing up the PEF with the relevant IRRs compared with an IRR-threshold taken as an indicator of reasonable profit.
Apulia	Verification using the QTE (Technical Economic Framework) prior to, during and after each operation with the ceilings laid down by Regional Decree + system established by Regional Decree No 2067/2016 by means of the PEF model for affordable housing and a simplified PEF model for public housing, using the relevant IRRs compared to the SWAP rate (remuneration rate for a risk-free investment) with a premium depending on the sector and geographical context.
Basilicata	Verification using the QTE (Technical Economic Framework) prior to, during and after each operation with the ceilings laid down by Regional Decree + system established by Regional Decrees No 1140/2018 and No 124/2019 by means of the PEF model using the relevant IRRs compared to the SWAP rate (remuneration rate for a risk-free investment) with a premium depending on the sector and geographical context.
Calabria	Verification using the QTE (Technical Economic Framework) prior to, during and after each operation with the ceilings laid down by regional decree + system drawn up in line with Regional Decree No 202/2018. The parameters are laid down in Regional Decree No 596/2018: for private individuals by means of Targeted Return for the Housing Investment Fund managed by Cassa Depositi e Prestiti

	SGR, plus the annual average inflation rate and a premium of 100 basis points, it is currently 4.5%; for public entities (municipal authorities and ATER) with the arithmetic average of ROI over the last three years, it is currently 12.4%.
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NB: *all the systems drawn up and applied to public entities (e.g. IACP and municipal authorities) for public housing show inconsistent values, with these services having considerable losses.*

A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

For aid provided in the context of social housing, all information and documents are published on the website of the various regions.

Amount of aid granted	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2020	2021
272.90763049	221.19832777
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2020	2021
132.85396087	124.32028053
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2020	2021
140.05366962	96.87804724
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2020	2021
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2020	2021

SGEIs RELATING TO POSTAL SERVICES

3. DESCRIPTION OF THE APPLICATION OF THE <u>2012 SGEI FRAMEWORK</u>
Sections (for instance, iii. Waste collection or viii. Financial services)
i. Postal services
Clear and comprehensive description of how the respective services are organized in Italy¹
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
<p>The postal sector service which is considered to be an SGEI is the universal postal service.</p> <p>In accordance with Article 3 of Legislative Decree No 261 of 22 July 1999, as amended by Legislative Decree No 58/2011 of 31 March 2011, the universal service, including the cross-border service, includes:</p> <ul style="list-style-type: none"> a) the collection, transportation, sorting and distribution of mail items of up to 2 kg; b) the collection, transportation, sorting and distribution of mail parcels of up to 20 kg; c) services relating to registered and insured mail. <p>Postal items, within the meaning of Article 3(f) of Legislative Decree No 261/1999, means an item in its definitive form when handed over to the postal service provider; in addition to items of correspondence, such items also include books, catalogues, newspapers, periodicals and similar, as well as postal parcels containing merchandise with or without commercial value.</p> <p>Article 3(i) of Legislative Decree No 261/1999 defines registered mail as the service protecting the item in question, for a flat fee, from risk of loss, theft or damage, which provides the sender with proof of mailing, as well as, at the sender's request, recorded delivery.</p> <p>Article 3(l) of Legislative Decree No 261/1999 defines insured mail as the service of insuring the mail against loss, theft or damage for the value declared by the sender.</p>
Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.
<ul style="list-style-type: none"> - Poste Italiane was entrusted under Article 23(2) of Legislative Decree No 261/1999 as amended by Legislative Decree No 58/2011. - No standardised templates are used.

¹ If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services. If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate. However, a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial. Since cases falling under the SGEI Framework will be limited in number, the Commission expects a detailed description of each concrete measure.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified.
The duration of the entrustment is 15 years from 30 April 2011 (the date on which Legislative Decree No 58/2011, transposing Directive 2008/6/EC, came into force). Every five years, the Ministry for Economic Development must verify, based on an analysis performed by the regulator AGCOM, that the entrustment of the universal service to Poste Italiane SpA complies with the criteria specified in paragraphs a) to f) of Article 3(11) of Legislative Decree No 261/1999 and that there is improved efficiency in the provision of the service, based on indicators defined and quantified by the regulator. Should the outcome of such verification be negative, the Ministry for Economic Development will revoke the entrustment. The decree stating that the entrustment of the universal postal service for the period from 1 May 2016 to 30 April 2021 complies with the criteria was issued on 6 May 2022 on the basis of the outcome of an analysis by AGCOM set out in decision No 427/21/CONS of 22 December 2021.
Explanation whether (typically) exclusive or special rights are assigned to the undertakings.
Article 1(57)(b) of Law No 124 of 4 August 2017: The annual law on market and competition (published in Italian Official Gazette No 189 of 14 August 2017) repealed, as of 10 September 2017, Article 4 of Legislative Decree No 261/1999 on the exclusive entrustment to Poste Italiane S.p.a. of services involving notification of judicial acts and fines. The issuing of individual licences for such services must in addition ‘be subject to specific universal service obligations relating to the safety, quality, continuity, availability and performance of these services’. In this respect, paragraph 58 of the above-mentioned Law No 124/2017 states that, within ninety days of the entry into force of this law, AGCOM, having consulted the Ministry of Justice, must determine by means of a decision the ‘specific requirements and obligations for issuing individual licences’ as well as those ‘relating to the reliability, professionalism and integrity of those who apply for an individual licence to supply these services’. Following the decision AGCOM 77/18/CONS, the Ministry for Economic Development issued a decree of 19 July 2018 on the procedure applicable.
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
Direct State subsidy.
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.
In decision 199/21/CONS based on the methodology of net avoided cost as laid down in the new European Union Framework for State aid in the form of public service compensation, which came into force on 31 January 2012 (OJ C 8, 11.1.2012), AGCOM calculated the burden for the years 2017 and 2019.
Typical arrangements for avoiding and repaying any overcompensation .
The above-mentioned verification by AGCOM for the years 2017, 2018 and 2019 on the burden arising from public service obligations, using the net avoided cost methodology, is in line with the new Framework on State aid that came into force in 2012 and ensures the absence of risks of overcompensation.
A short explanation of how the transparency requirements (see Paragraph 60 of the 2012 SGEI Framework) are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures

concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).	
The programme agreement between the Ministry for Economic Development and Poste italiane is published on the Ministry's website. https://www.mise.gov.it/index.php/it/comunicazioni/postale/servizio-postale-universale	
Amount of aid granted	
Total amount of aid granted (in millions EUR)². This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2020	2021
€262 400 000.00 Universal service obligations	€262 400 000.00 Universal service obligations
A: Total amount of aid granted (in millions EUR) paid by national central authorities³	
2020	2021
€262 440 000.00 in reimbursement of the costs of performing the universal service for the postal sector in the year 2020.	€262 440 000.00 in reimbursement of the costs of performing the universal service for the postal sector in the year 2021.

² As stipulated in Paragraph 62 b) of the 2012 SGEI Framework.

³ If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

SGEI Decision in Italy		Total amount for the whole Member State	
		2020	2021
Article 2(1)(b)	Hospitals providing medical care, including, where applicable, emergency services		
Article 2(1)(c)	Health and long term care		
	Childcare		
	Access to and reintegration into the labour market		
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	Social housing	EUR 272.91 m.	EUR 221.2 m.
	Care and social inclusion of vulnerable groups		
	Other social services		
Article 2(1)(d)	Air and sea links	€ 139.723.608,15	€ 109.800.247,46
Article 2(1)(e)	Airports and ports	€ 300.000,00	
Article 2(1)(a), under EUR 15 million per year	Postal services		
	Energy		
	Waste collection		
	Water supply		
	Culture		
	Financial services		
	Other		

SGEI Framework in Italy	Total amount for the whole Member State	
	2020	2021
Postal services	€ 262.400.000,00	€ 262.400.000,00
Energy		
Waste collection		
Water supply		
Air and sea links	€ 29.536.389,14	€ 30.222.978,58
Airports and ports		
Culture		
Financial services		
Other		