

TRANSLATION

To the Permanent Representation
to the European Union

Subject: Biennial report 2018 (reference period from 1 January 2016 — 31 December 2017) on services of general economic interest (SGEI).

Please find attached the above-mentioned Report on Services of General Economic Interest 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, to be forwarded to the European Commission.

Prime Minister's Office

DEPARTMENT FOR EUROPEAN POLICIES

SGEI REPORT 2018

SERVICES OF GENERAL ECONOMIC INTEREST

TWO-YEAR PERIOD: 1 JANUARY 2016 - 31 DECEMBER 2017

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

The 2018 Report¹ consolidates the method of analysis and data-gathering on the implementation of the package of State aid rules in relation to services of general economic interest (SGEI) initiated by the European Commission in 2016; when the new format was also introduced.

This report, based on the information and data provided directly by the authorities responsible for the various sectors, is more streamlined than the 2016 version and focuses on describing the typology and organisation of SGEI services, as well as the related costs.

The Report also provides details of government expenditure on the basis of the SGEI Framework for the two years covered, 2016-2017, the period during which the relevant data was gathered, and

¹ Every two years, the Union Member States draw up a report for submission to the European Commission by 30 June concerning 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; and concerning the figures for 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.

provides an overview of the amounts of aid paid in Italy by the relevant authorities, at regional and local levels also.

The Department for European Policies (hereafter DPE) acted as general coordinator in drawing up the report.

Specifically, the 2018 report refers to the sectors listed below, broken down in accordance with the SGEI rules:

- **social housing**
- **air links and airports:**
 - air links to islands with average annual traffic not exceeding the limit set in Article 2(1)(d) of Decision 2012/21/EU;
 - air links to islands with annual average traffic above the limit specified in Article 2(1)(d) of the 2012 SGEI Decision and other air links where SGEI compensation falls within the scope of Communication 2012/C 8/03;
- **maritime links:**
 - maritime links to islands with average annual traffic not exceeding the limit set in Article 2(1)(d) of Decision 2012/21/EU;
- **postal services:**

postal services relating to SGEI compensation above EUR 15 million, falling within the scope of Communication 2012/C 8/03 (2012 SGEI Framework).

The new National Register of State aid entered into force in 2017, in accordance with Article 52 of Law 234/2012, as amended, and Regulation No 115/2017. In addition to managing and controlling all aid measures granted to undertakings, the Register guarantees the performance of transparency requirements, also in relation to SGEI, since all the information it contains is in the public domain.

SOCIAL HOUSING (point 2(2)(d) — APPLICATION OF DECISION 2012/21/EU

1. EXPENDITURE OVERVIEW

General government expenditure (millions EUR)) on the basis of the SGEI Decision and the SGEI Framework

	2016	2017
Compensation for Services of General Economic Interest (1+2)	See table below	
1) Compensation granted on the basis of the SGEI Decision		
2) Compensation granted on the basis of the SGEI Framework		

Non-compulsory: If your Member State has not granted State aid for the provision of SGEI in certain sectors on the basis of the SGEI Decision or the SGEI Framework, information regarding other instruments to ensure the provision of those services would be very useful. If available, please provide a brief description of these instruments (e.g. direct aid to users, compensation complying with all four Altmark criteria, SGEI de minimis aid ...) and the sectors in which they are used. If for the sectors listed below, Italy grants public aid only to activities of a non-economic nature that do not come under the scope of State aid rules, please provide information on this (indicating the reasons why the activity receiving subsidies is a non-economic nature).

2. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION

Clear and comprehensive description of how the respective services are organized in your Member State²

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: 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, ATEJR, 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 set by law at EUR 20 for those without means, up to a maximum of EUR 130 for others.

² If in a certain sector only a small number of individual SGEIs exist in your Member State, we would 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), the task of providing detailed information 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.

Assisted housing (edilizia agevolata) and agreed housing (edilizia convenzionata): These types of housing are built by private entities (building cooperatives, building companies or developers) with the help of public funding (capital grants or interest subsidies on reduced-rate mortgage 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 framework 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.

Private Social Housing (EPS): housing built using the Property Fund System (SIF) promoted by the National Residential Investment Fund (FIA) set up by CDP Investimenti SGR in accordance with the National Plan for Residential Building approved by Prime Ministerial Decree of 16 July 2009. Such housing is intended for rental or hire-purchase by those not eligible for traditional public housing but who cannot afford market prices. Rent is set at a level lower than the 'agreed' level and is defined in local agreements between tenants' representative organisations and landlords.

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 forms of entrustment, supplemented where appropriate by resolutions of the regional council or parliament.

Entrustments are usually made 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 a framework 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 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 in the regions for the present report. Entrustments that are longer than 10 years generally account for at least 70 % of all entrustments across all regions with the exception of the Region of Lazio. The following data shows the results of the regional survey on the percentage of entrustments longer than 10 years:

Abruzzo	100
Basilicata	NA
Calabria	100
Campania	100

Emilia Romagna	70
Friuli Venezia-Giulia	90
Lazio	30
Liguria	100
Lombardy	100
Marche	100
Molise	100
Piedmont	100
Apulia	90
Sardinia	NA
Sicily	100
Tuscany	100
Umbria	100
Valle d'Aosta	NA
Veneto	100
Autonomous Province of Bolzano	NA
Autonomous Province of Trento	100

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.

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.

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 chosen 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.

Subsidised housing rents are set by the regions, with a minimum level of EUR 20 to EUR 50 for those below the poverty line, over which rent is paid in line with means, up to a maximum of EUR 130 per month, with some exceptions. Rents for agreed 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 recovery of existing buildings intended for social housing – until possible conclusion of hire-purchase 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.

Although not directly related to the compensation mechanism, the Fund for assisted access to rented accommodation (Law No 431/1998) was not financed in 2016 and 2017. It is aimed at those on very low incomes. With Law No 80/2014, Parliament has recently provided incentives for the establishment of local rental agencies to assist tenants in arrears to move from one dwelling to another, a measure not counted as compensation since it is paid to tenants directly. A further income support instrument is a fund for tenants in arrears due to force majeure set up under Decree-Law No 102/2013, converted into Law No 124/2013.

Typical arrangements for **avoiding and repaying any overcompensation.**

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 - SUBSIDISED AND ASSISTED HOUSING)

Control of compensation is based on a system that pre-existed the applicable European rules on State aid for the provision of SGEI. 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 subsidised and assisted housing, based on current quality standards reflecting minimum acceptable conditions in accordance with the applicable regulations (Circular No 28 of 16 January 1995 of the Secretariat-General 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, recovery 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, recovery, extraordinary maintenance).

The QTE templates were approved by Decree No 81 of 4 July 1996. Due to decentralisation of functions, some regions have adopted other mechanisms³ or established and adopted other calculation methods. The QTE is, however, the most commonly used mechanism for calculating compensation. It is therefore the essential technical and economic document for a project from the time it is admitted for funding. The QTE correctly quantifies all of the metric and parametric data needed for executing the work. 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 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

³ For example, mechanisms have been designed to calculate the compensation for the purchase of housing that has already been built.

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 SGEI 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 subsidised and assisted housing budgets, which is currently being used on a trial basis and requires projections for the full length of the duration of the public service obligation. In the case of subsidised housing with a 'permanent' service obligation, the budget contains projections over 30 years, or the average life cycle of a building.

The Commission Notice on the notion of State aid as referred to in Article 107(2) of the Treaty on the Functioning of the European Union was published in the Official Journal of 19 July 2016. Based on the principles set out in the above Notice, the Directorate-General for Housing considers that State intervention in the publicly-subsidised residential building sector does not come under the scope of Article 107(2) of the Treaty as it is intended to finance interventions of public interest and the State is not acting as an economic operator. The beneficiaries of the financing are public bodies and are entrusted with the management of public residential property based on a rule of law. Their purpose is not speculative and they do not receive any direct or indirect benefits, as defined in point 4 of the Commission Notice. They consist of municipalities and former Independent Institutes of Public Housing (IACP) which do not benefit from financing for commercial purposes, and which guarantee competition by selecting companies for the interventions by means of public tenders. Therefore, the financing of publicly-subsidised residential buildings does not come under the scope of State aid.

The above opinion is reinforced by the low level of rents usually applied for subsidised building, as stated above.

This matter was raised during the discussions on the reform of the SGEI rules at the Department for European Policies.

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 replies submitted by the regions do not refer to compensation subject to transparency requirements.

Amount of aid granted

Total amount of aid granted (in millions EUR).⁴ This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2016	2017
381 079 432.55	278 978 616.90

⁴ As stipulated in Article 9 b) of the 2012 SGEI Decision (2012/21/EU).

A: Total amount of aid granted (in millions EUR) paid by national central authorities⁵

2016	2017
186 434 697.98	147 788 118.83

B: Total amount of aid granted (in millions EUR) paid by regional authorities

2016	2017
193 402 012.68	130 048 319.73

C: Total amount of aid granted (in millions EUR) paid by local authorities

2016	2017
1 242 721.89	1 142 178.34

Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)

2016	2017
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Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)⁶

2016	2017
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(Translator's note: following pages are illegible)

AIR LINKS AND AIRPORTS (point 2(3) AND 2(4) — APPLICATION OF THE 2012 SGEI DECISION

1. EXPENDITURE OVERVIEW

Total SGEI government expenditure on the basis of the SGEI Decision and the SGEI Framework (millions EUR)

	2016	2017
Compensation for Services of	€44 612 764.45	€44 450 528.23
General Economic Interest (1+2)	€15 200 618.40	€15 038 382.18

⁵ 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.

⁶ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

(1) Compensation granted on the basis of the SGEI Decision

€29 412 146.05

€29 412 146.05

(2) Compensation granted on the basis of the SGEI Framework

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) (3(2))**

Clear and comprehensive description of how the respective services are organized in your Member State⁷

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 include 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.

In such cases, as provided for under the EU rules for the sector (Article 16 of Regulation (EC) No 1008/2008), where other means of transport cannot ensure uninterrupted service at least twice daily, it is possible to impose public service obligations only insofar as they are necessary to ensure the provision of a service satisfying fixed standards of continuity, regularity, capacity and pricing, which the air carrier would not comply with if it were solely considering its commercial interest. These public service obligations therefore aim to connect the geographical areas in question with the rest of the State territory.

Scheduled air services constituting SGEI are identified by decree of the Minister for Infrastructure and Transport once routes and parameters for public service obligations have been identified (ceilings, minimum capacity in terms of jobs offered, minimum frequency, etc.) by an inter-departmental conference attended by the Ministry of Infrastructure and Transport, the ENAC and the regions concerned.

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

Where only one valid bid is received under the procedure, the compensation for public service obligations constitutes State aid, since the fourth Altmark criterion has not been satisfied, but is exempt from notification under Article 108(3) TFEU.

⁷ 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.

The routes covered by this part of the report are as follows:

Pantelleria — Palermo and vice-versa, Pantelleria — Trapani and vice-versa, Lampedusa — Palermo and vice-versa, Lampedusa — 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 a valid alternative to air links because of the distance to be travelled by sea and because of the very variable sea weather conditions.

Air services under the PSO system guarantee regular links all year round, even during off-peak tourist seasons which are not very attractive commercially for Community operators, and ensure mobility for the inhabitants of Pantelleria and Lampedusa who, for health, educational, official reasons, etc. must travel to the main Sicilian towns. During the two-year period under review, the routes in question were operated by Alitalia CAI Spa (now Alitalia SAI SpA) up to 30 June 2017 (public tender for a group of routes published in OJ C 42, 13.2.2014), and by Mistral Air S.r.l. up to 1 July 2017 (tender for group of routes published in OJ C 442, 29.11.2016).

The content of the SGEI (parameters for PSO) is specified in the technical annex to Ministerial Decree No 5 of 15 January 2014.

Elba Marina di Campo to Pisa and vice-versa

Elba Marina di Campo to Florence and vice-versa

Elba Marina di Campo to Milan Linate and vice-versa

The island of Elba can also be regarded as a peripheral region. The above routes can be regarded as having low traffic density and are essential for the inhabitants of the islands who, for social reasons (health and education), have to travel to Pisa, Florence and Milan. These air transport links under PSO also contribute to economic development as a result of tourist flows which would otherwise be directed to other islands equipped with air transport. During the two-year period under review, the routes in question were operated by Silver Air s.r.o. up to 25 October 2017 (public tender for a group of routes published in OJ C 329, 13.11.2013).

The content of the SGEI (parameters for PSO) is specified in the technical annex to Ministerial Decree No 328 of 6 November 2013.

Alghero to Milan Linate and vice-versa

The imposition of public service obligations on links between the main airports in Sardinia (Alghero, Cagliari and Olbia) and those in Rome and Milan (the CT1 routes) ensure territorial cohesion between the island and the rest of Italy. The CT1 routes should be regarded as crucial since they permit links between the above-mentioned Sardinian towns and the main national hubs of Roma Fiumicino and Milan Linate. In addition to being the most functional in terms of access to various places in the city, these airports provide users with multiple transport services to reach other cities in Italy and abroad.

The SGEI in question guarantee people's right to mobility and contribute to 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.

During the two-year period under review, the Alghero-Milan Linate route was operated by Alitalia CAI Spa (now Alitalia SAI SpA) under a public tender for a single route published in OJ C 180, 26.6.2013. The content of the SGEI (parameters for PSO) is specified in the technical annex to Ministerial Decree No 61 of 21 February 2013.

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

- Executive decree of the Directorate-General of Airports and Air Transport granting a scheduled air service as a public service obligation.
- 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.

The average duration of entrustments considered in the present section is 4 years.

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

The air carrier is generally granted the exclusive right to operate the scheduled air service for the pre-determined period.

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.

The maximum amount of annual compensation available under the tender is calculated as follows, based on a cost allocation methodology:

$$Cmp = Cp - Rp$$

where

Cmp= Compensation available under the tender

CP=Presumed SGEI costs (including reasonable risk and profit margin) estimated based on the size of the service

Rp= Presumed SGEI revenue.

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

Under no circumstances may greater compensation be paid than provided for in the bid.

Typical arrangements for avoiding and repaying any overcompensation.

Determination of a ceiling for compensation and the criteria used for granting compensation avoid any overcompensation. Indeed, the air carrier selected cannot demand an amount exceeding the maximum agreed amount by way of compensation.

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. Compensation is 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, compensation is in the amount of the difference, i.e. 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.
5. In the case of the links to and from Pantelleria and Lampedusa and to and from the island of Elba, in the event that the total advance payment of compensation (paid every month to the selected air carrier, after it has presented the traffic figures for the previous month, in the form of 80 % of 1/12 of the annual amount) is higher than the compensation due to the air carrier as a result of the verification carried out by the contracting authority, overcompensation received by the air carrier must be refunded by it to be re-used to ensure coherence among the regions concerned.

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 was granted to any one of the SGEI concerned.

Amount of aid granted

Total amount of aid granted (in millions EUR).⁸ This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2016	2017
€15 200 618.40	€15 038 382.18

A: Total amount of aid granted (in millions EUR) paid by national central authorities⁹

⁸ As stipulated in Article 9 b) of the 2012 SGEI Decision.

⁹ 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.

2016
€8 001 255.41

2017
€7 905 213.16

B: Total amount of aid granted (in millions EUR) paid by regional authorities

2016
€7 199 362.99

2017
€7 133 169.03

C: Total amount of aid granted (in millions EUR) paid by local authorities

2016

2017

Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)

<p>The shares of expenditure for each aid instrument break down as follows:</p> <p><u>Routes:</u></p> <p><u>Pantelleria — Palermo and vice-versa, Pantelleria — Trapani and vice-versa, Lampedusa — Palermo and vice-versa, Lampedusa — Catania and vice-versa</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>The shares of expenditure for each aid instrument break down as follows:</p> <p><u>Routes:</u></p> <p><u>Pantelleria — Palermo and vice-versa, Pantelleria — Trapani and vice-versa,</u></p> <p><u>Lampedusa — Palermo and vice-versa, Lampedusa — Catania and vice-versa</u></p> <p>66.6 % share paid by the State</p> <p>33.3 % share paid by the Region of Sicily</p>
<p><u>Routes:</u></p> <p><u>Elba Marina di Campo to Pisa and vice-versa</u></p> <p><u>Elba Marina di Campo to Florence and vice-versa</u></p> <p><u>Elba Marina di Campo to Milan Linate and vice-versa</u></p> <ul style="list-style-type: none"> – 58.82353 % share paid by the State – 41.17647 % share paid by the Region of Tuscany 	<p><u>Routes:</u></p> <p><u>Elba Marina di Campo to Pisa and vice-versa</u></p> <p><u>Elba Marina di Campo to Florence and vice-versa</u></p> <p><u>Elba Marina di Campo to Milan Linate and vice-versa</u></p> <p>58.82353 % share paid by the State</p> <p>41.17647 % share paid by the Region of Tuscany</p>
<p><u>Routes:</u></p> <p><u>Alghero to Milan Linate and vice-versa:</u></p> <p>100 % share paid by the Region of Sardinia</p>	<p><u>Routes:</u></p> <p><u>Alghero to Milan Linate and vice-versa:</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) ¹⁰	
<ul style="list-style-type: none"> • Number of beneficiaries in the air transport sector operating in public service obligation mode: 2 • Average amount of aid: €5 066 872.80 • The basis for calculating the amounts of aid indicated in the tables above results from the agreements governing the SGEI entrustment and include 10 % VAT. 	<ul style="list-style-type: none"> • Number of beneficiaries in the air transport sector operating in public service obligation mode: 3 • Average amount of aid: €5 012 794.06 • The basis for calculating the amounts of aid indicated in the tables above results from the agreements governing the SGEI entrustment and include 10 % VAT.

Airports with average annual traffic not exceeding the limit set in Article 2(1)(e) of 2012 SGEI Decision (point 2, item 4)

With regard to the airport sector, no information from the regional authorities was received by this Directorate-General concerning compensation for SGEI coming under this heading.

AIR LINKS AND AIRPORTS (point 3(1) V and VI — APPLICATION OF COMMUNICATION 2012/C 8/03

3. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION

Air links to islands with annual average traffic above the limit specified in Article 2(1)(d) of the 2012 SGEI Decision and other air links where SGEI compensation falls within the 2012 SGEI Framework (2012/C 8/03) (point 3(1)(V).

Clear and comprehensive description of how the respective services are organized in your Member State¹¹

¹⁰ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

¹¹ 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.

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 include 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.

In such cases, as provided for under the EU rules for the sector (Article 16 of Regulation (EC) No 1008/2008), where other means of transport cannot ensure uninterrupted service at least twice daily, it is possible to impose public service obligations only insofar as they are necessary to ensure the provision of a service satisfying fixed standards of continuity, regularity, capacity and pricing, which standards the air carrier would not assume if it were solely considering its commercial interest. Public service obligations therefore aim to connect the geographical areas in question with the rest of the state territory.

Air services constituting SGEI are always identified by decree of the Minister for Infrastructure and Transport once routes and parameters for public service obligations have been identified (ceilings, minimum capacity in terms of jobs offered, minimum frequency, etc.) by an inter-departmental conference attended by the Ministry of Infrastructure and Transport, the ENAC and the regions concerned.

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

Where only one valid bid is received under the procedure, compensation for public service obligations constitutes State aid since the fourth Altmark criterion has not been satisfied, and thus the required notification must be made to the European Commission.

The routes covered by this part of the report are as follows:

- Cagliari to Roma Fiumicino and vice-versa;

- Cagliari to Milan Linate and vice-versa:

The imposition of public service obligations on links between the main airports in Sardinia (Alghero, Cagliari and Olbia) and those in Rome and Milan (the CT1 routes) ensure territorial cohesion between the island and the rest of Italy. The CT1 routes should be regarded as crucial since they permit links between the above-mentioned Sardinian towns and the main national hubs of Roma Fiumicino and Milan Linate. In addition to being the most functional in terms of access to various places in the city, these airports provide users with multiple transport services to reach other cities in Italy and abroad.

The SGEI in question guarantee people's right to mobility and contribute to 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.

During the two-year period under review, the above route was operated by Alitalia CAI Spa (now Alitalia SAI SpA) under a public tender for a single route published in OJ C 183, 28.6.2013. In accordance with the tender, the amount of the compensation has been notified to the Commission as set out in Article 108(3) of the TFEU.

The content of the SGEI (parameters for PSO) is specified in the technical annex to Ministerial Decree No 61 of 21 February 2013.

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

- Executive decree of the Directorate-General of Airports and Air Transport granting an air service as a public service obligation.
- 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.

The average duration of entrustments considered in the present section is 5 years.

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

The air carrier is generally granted the exclusive right to operate the scheduled air service for the pre-determined period.

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

Direct 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.

The maximum amount of annual compensation available under the tender is calculated according to the following formula:

$$Cmp = Cp - Rp$$

where

Cmp= Compensation available under the tender

CP=Presumed SGEI costs (including reasonable risk and profit margin) calculated on the basis of the size of the service

Rp =presumed SGEI revenue.

As regards the methodology used to calculate the net costs necessary to comply with public service obligations relating to SGEIs, the cost allocation method was used as it is difficult, in the case of air transport, to use the methodology based on the net avoided cost methodology.

In particular, the use of this method of calculation would involve an analysis and correct estimation of the difference between the costs necessary to operate air transport links involving public service obligations and the costs relating to the proceeds from ticket sales.

In the air transport sector, as a route that has been liberalised as set out in Regulation (EC) No 1008/2008, both of these factors and, in particular, the costs borne by the air carrier, vary considerably in so far as – with specific reference to the analytical components of the costs – they are closely linked to the characteristics of the actual air carriers (traditional or low-cost). ??

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.

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.

Typical arrangements for **avoiding and repaying any overcompensation**.

Determination of a ceiling for compensation and the criteria used for granting compensation avoid any overcompensation. Indeed, the air carrier selected cannot demand an amount exceeding the maximum agreed amount by way of compensation.

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 proportionally;
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.

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).

In the case of the links from Cagliari to Rome Fiumicino and vice-versa and **Cagliari to Milan Linate**, the information requested in paragraph 60 of the 2012 SGEI Framework is available from the documentation posted by the Sardinia transport information system at:

<http://www.sardegnamobilita.it> (path: sardegnamobilita >informazioni >bandi e gare)

Amount of aid granted

This includes all aid granted (in millions of EUR) in your country, including aid granted by regional and local authorities. (A+B+C)

2016	2017
€29 412 146.05	€29 412 146.05

A: Total amount of aid granted (in millions EUR)¹² paid by national central authorities¹³

2016	2017
/	/

B: Total amount of aid granted (in millions EUR) paid by regional authorities¹⁴

2016	2017
€29 412 146.05	€29 412 146.05

1 C: Total amount of aid granted (in millions EUR) paid by local authorities¹⁵

2016	2017
/	/

Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)

2016	2017
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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.
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Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)¹⁶

2016	2017
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number of beneficiaries: 1	number of beneficiaries: 1
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¹² As stipulated in Paragraph 62 b) of the 2012 SGEI Framework.

¹³ 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.

¹⁴ Cf. footnote 13.

¹⁵ Cf. footnote 13.

¹⁶ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimates have been used as well as the type of aggregation made.

<p>- average amount of aid: €14 706 073.02</p> <p>- size of the undertakings: Large enterprise (Alitalia SAI SpA)</p> <p>The basis of the calculation of the amounts of aid in the above section results from the agreements governing the entrustment of SGEI and include 10 % VAT.</p>	<p>- average amount of aid: €14 706 073.02- size of the undertakings: large enterprise (Alitalia SAI SpA)</p> <p>The basis of the calculation of the amounts of aid in the above section results from the agreements governing the entrustment of SGEI and includes 10 % VAT.</p>
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4. COMPLAINTS BY THIRD PARTIES

No litigation involving complaints by third parties before national courts was reported for the two years in question.

5. MISCELLANEOUS QUESTIONS

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

MARITIME LINKS TO ISLANDS (Point 2, Item 3) – APPLICATION OF THE 2012 SGEI FRAMEWORK

1. EXPENDITURE OVERVIEW

Total SGEI government expenditure by legal basis (millions EUR) on the basis of the SGEI Decision and the SGEI Framework

Compensation for Services of General Economic Interest (1+2)	2016	2017
(1) Compensation granted on the basis of the SGEI Decision	128.4	128.4
(2) Compensation granted on the basis of the SGEI Framework		

Non-compulsory: If your Member State has not granted State aid for the provision of SGEI in certain sectors on the basis of the SGEI Decision or the SGEI Framework, information regarding other instruments to ensure the provision of those services would be very useful. If available, please provide a brief description of these instruments (e.g. direct aid to users, compensation complying with all four Altmark criteria, SGEI de minimis aid ...) and the sectors in which they are used.

€72.8 million per year for Tirrenia and €55.6 million per year for SIREMAR, notified to the Commission in 2011, prior to the 2012 Decision on the SGEI Framework, for reasons of legal certainty as measures not constituting State aid.

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

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.

These services consist of public-service obligations accepted by undertakings that have taken over business divisions responsible for providing public-service maritime links, in other words Tirrenia di Navigazione SpA in AS and SIREMAR, Sicilia Regionale Marittima SpA in AS, as a result of the conclusion of the relevant competitive privatisation processes.

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.

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 said public-service obligations, using awarding criteria based on the highest price. These forms and criteria seemed suitable for ensuring that the procedures in question complied with the principles of competition, transparency and non-discrimination required under EU law.

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.

8 years in the case of Tirrenia and 12 years for SIREMAR.

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

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.

Under the agreement, the level of compensation (subsidy) is established based on forecasts of the difference between revenues and running costs. Unlike the agreement for the former Gruppo

Tirrenia, which expired at the end of 2008, the new agreement does not grant the service provider higher compensation in case of increased running costs (personnel, fuel, freight, mooring or docking charges, etc.). The risk linked to any such cost increases is thus entirely borne by the service provider, as is risk relating to levels of passenger traffic, which might be lower than expected.

The public-service activity performed by service providers therefore essentially involves full assumption of risk by the operators, accompanied by a fixed amount of compensation that does not guarantee full coverage of costs.

Typical arrangements for **avoiding and repaying any overcompensation**.

The agreement contains 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 annually 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.

A short explanation of how the transparency requirements (see Article 7 of the 2012 SGEI Decision) for the aid above €15 million 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 Transport.

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)

2016	2017
128.4	128.4

A: Total amount of aid granted (in millions EUR) paid by national central authorities

2016	2017
128.4	128.4

B: Total amount of aid granted (in millions EUR) paid by regional authorities

2016	2017
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C: Total amount of aid granted (in millions EUR) paid by local authorities

2016

2017

OTHER MARITIME LINKS TO ISLANDS (Point 2(3) – APPLICATION OF THE 2012 SGEI DECISION

1. EXPENDITURE OVERVIEW

Total SGEI government expenditure by legal basis (millions EUR)) on the basis of the SGEI Decision and the SGEI Framework

<i>Compensation for Services of General Economic Interest (1+2)</i>	2016	2017
(1) Compensation granted on the basis of the SGEI Decision	7 005 000.00	7 005 000.00
(2) Compensation granted on the basis of the SGEI Framework 2016 2017		

Non-compulsory: If your Member State has not granted State aid for the provision of SGEI in certain sectors on the basis of the SGEI Decision or the SGEI Framework, information regarding other instruments to ensure the provision of those services would be very useful. If available, please provide a brief description of these instruments (e.g. direct aid to users, compensation complying with all four Altmark criteria, SGEI de minimis aid ...) and the sectors in which they are used.

€7.005 million per year for Ustica Lines S.p.A. (now Liberty Lines S.p.A.) for 2016 and 2017, notified on 28 July 2015 for reasons of legal certainty. This measure was registered under number SA.42710.

Following lengthy discussions with Commission officials on 13 June 2017, the aid measure was deemed to be compatible with the internal market in accordance with Article 106(2) of the TFEU by means of Decision C(2017)3936 final.

2. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI FRAMEWORK

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 services consist of public service obligations assumed by Ustica Lines S.p.A. (now Liberty Lines S.p.A.), which operates the maritime speed link for passengers only between the ports of Messina and Reggio Calabria.

The public mission identified by the Italian authorities involves the island cabotage route linking the Italian mainland with the port of Messina in Sicily. This route aims to provide a satisfactory service in

terms of regularity and frequency that covers the essential transport requirements of the communities of Messina and Reggio Calabria, protecting their constitutional right to territorial continuity, which the market, left to itself, would not be able to maintain.

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

The service was entrusted using tender procedures.

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.

3 years

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings. 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 remuneration is paid on the basis of deferred quarterly invoicing downstream of the performance of the activity once the Directorate of Labour has checked that the service was provided during the quarter in question.

Typical arrangements for **avoiding and repaying any overcompensation**.

In Decision C(2017) 3936 final of 13 June 2017, the Commission decided that the method of compensation applied to the entrustment of SGEI to Ustica Lines S.p.A. (now Liberty Lines S.p.A.) complied with SGEI rules.

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 Transport.

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)

2016	2017
7.005	7.005

A: Total amount of aid granted (in millions EUR) paid by national central authorities

2016	2017
7.005	7.005

B: Total amount of aid granted (in millions EUR) paid by regional authorities

2016	2017
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C: Total amount of aid granted (in millions EUR) paid by local authorities

2016	2017
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POSTAL SERVICES (Point 3, Item 1, para. i) – APPLICATION OF THE 2012 SGEI DECISION

EXPENDITURE OVERVIEW

Total SGEI government expenditure by legal basis (millions EUR)) on the basis of the SGEI Decision and the SGEI Framework

	2016	2017
Compensation for Services of General Economic Interest (1+2)		
(1) Compensation granted on the basis of the SGEI Decision	///	///
(2) Compensation granted on the basis of the SGEI Framework	457 260 000.00	370 615 468.19

3. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI FRAMEWORK

Clear and comprehensive description of how the respective services are organized in your Member State¹⁷

¹⁷ 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.

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.

Postal sector services that are regarded as SGEI are as follows:

1) Universal postal service.

2) Mailing of electoral material from candidates at a reduced tariff, abolished by Decree Law No 66/2014 of 24 April 2014, amended and converted into Law No 89/2014 of 23 June 2014.

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:

- 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.

Article 3(f) of Legislative Decree No 261/1999 defines **mailing** as the moment at which the provider of postal services takes charge of the item in question; in addition to dispatches of correspondence, books, catalogues, newspapers, periodicals and other similar items, the definition also applies to dispatches of parcels containing goods with or without commercial value.

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.

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.

In accordance with Article 17 of Law No 515 of 10 December 1993, **mailing of electoral material at a reduced tariff (abolished by Decree-Law No 66/2014 of 24 April 2014, amended and converted by Law No 89 of 23 June 2014)** means the mailing of electoral material by candidates for an election at a lower postal tariff, up to a maximum number of items per candidate equal to the total number of electors registered in the relevant electoral district, and per electoral list equal to the total number of electors registered in the relevant constituency. This tariff may be used solely in the 30 days prior to the voting date and grants the right to obtain delivery of leaflets to recipients by the postal administration, using procedures and with delivery times equivalent to those currently applying to weekly periodicals. On 19 October 2016, the Commission was pre-notified of the above-mentioned financial compensation for the period 2012-2014. This procedure was initiated when such compensation was removed from the pre-notification of the Programme Agreement for 2015 — 2019 with Poste Italiane, at the request of the Commission itself. The case was set out properly in a comfort letter by the European Commission on 23 March 2018, in which it did not consider it necessary to withdraw the pre-notification sent at that time.

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

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.

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 letters a) to f) of Article 3(1) of Legislative Decree No 261/1999 and that there is improved efficiency in the provision of the service, based on indicators defined and qualified 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 complies with the criteria was issued on 25 August 2016 on the basis of the outcome of an analysis by AGCOM set out in 379/16/CONS of 28 July 2016.

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. Issuing of individual licences for such services must in addition *'be subordinated 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 on 19 July 2018 on the procedure applicable, which was then sent to the Court of Auditors for registration.

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 298/17/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 2013 and 2014.

Typical arrangements for avoiding and repaying any overcompensation.

The above-mentioned verification by AGCOM for the years 2013 and 2014 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 that ensures the absence of risks of overcompensation.

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 programme agreement between the Ministry for Economic Development and Poste italiane is published on the Ministry's website.

Amount of aid granted

Total amount of aid granted (in millions EUR).¹⁸ This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2016	2017
457 260 000.00 Universal service obligations	370 615 468.19 Universal service obligations
A: Total amount of aid granted (in millions EUR) paid by national central authorities¹⁹	
- EUR 262 440 000.00 in reimbursement of the costs of performing the universal service for the postal sector in the year 2016;	- EUR 262 440 000.00 in reimbursement of the costs of performing the universal service for the postal sector in the year 2017;
- EUR 131 220 000.00 in reimbursement of the costs of performing the universal service for the postal sector in the year 2015;	- EUR 66 669 845.00 in reimbursement of the costs of performing the universal service for the postal sector in the year 2015;
- EUR 63 600 000.00 in the form of earlier loans relating to 2011-2014;	- EUR 40 786 000.00 in reimbursement of the costs of performing the universal service for the postal sector in the years 2012-2014, extension

¹⁸ As stipulated in Paragraph 62 b) of the 2012 SGEI Framework.

¹⁹ 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.

	of contract to 2009-2011; - EUR 719 623.19 in reimbursement of the costs of performing the universal service for the postal sector in the years 2012-2014 - balance of extension of contract 2009-2011.
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2016	2017
Total amount of aid granted (in millions EUR) paid by local authorities	
2016	2017
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2016	2017
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings) ²⁰	

5. MISCELLANEOUS QUESTIONS

a. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Decision and ask you to in particular consider the following issues:

- drawing up an entrustment act that complies with Article 4 of the SGEI Decision;
- specifying the amount of compensation in line with Article 5 of the SGEI Decision;
- determining the reasonable profit level in line with Article 5(5)-(8) of the SGEI Decision;
- regularly checking overcompensation as required by Article 6 of the SGEI Decision;

Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

b. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Framework and ask you to in particular consider the following issues:

- carrying out a public consultation in line with paragraph 14 of the SGEI Framework;
- complying with public procurement rules in line with paragraph 19 of the SGEI Framework;
- determining the net avoided cost as required by paragraphs 25-27 of the SGEI Framework;
- determining the reasonable profit level in line with paragraphs 33-38 of the SGEI Framework;

²⁰ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

In reply to the questions under point a), we wish to state again that the entrustment was set out in Article 23 of Legislative Decree No 261/1999 as amended by Legislative Decree No 58/2011. The verification by AGCOM for the years 2013 and 2014 was started on 27 October 2017.

As regards point b), no public consultations were carried out since the entrustment was granted directly to Poste Italiane pursuant to Article 23 of Legislative Decree No 261/1999.