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CONTENTS

I.	INTRODUCTION	5
II.	ASSESSMENT OF MARKET PERFORMANCE AND STRUCTURAL REFORMS	7
II.A.	PRODUCT MARKETS	7
	Opening new markets to competition and furthering economic integration	7
	Public policies having an impact on product markets	11
	Utilities and other network industries	15
	Environmental policies	22
	Foster a knowledge-based society	25
II.B.	THE CAPITAL MARKET AND FINANCIAL SERVICES	31
	The legal and administrative framework	31
	Financial market developments	34
	Venture capital investment	36
II.C.	OTHER REFORMS AFFECTING PRODUCT AND CAPITAL MARKETS	38
III.	SUPPLEMENTS	41
III.A.	Follow-up to the country-specific recommendations included in the broad economic policy guidelines for 2002	43
III.B.	Measures and policies to reduce early retirement	50
IV.	STRUCTURAL INDICATORS	59
	List of Tables	61
	Methodological notes	97



I. INTRODUCTION

In the last year Italy has proceeded along the path of structural reforms, in the awareness of the strict link between markets opening, economic growth, and benefits for consumers. In this setting, a series of actions in product markets have been initiated to create a clear overall reference framework both for economic agents and for regulators, aimed at strengthening the mechanisms that translate competition into better terms for consumers.

The promotion of competitive mechanisms has been reinforced by the amendment of Title V of the Constitution, which explicitly includes protection of competition among the matters that are the exclusive competence of national legislation.

In the energy sector liberalisation continued with regulatory measures to provide incentives for supply-side security in the electricity industry and further benefits for consumers. In line with European Union guidelines, Italian energy policy is enhancing environmental protection by encouraging renewable sources and simplifying the procedures for modernisation and renewal of generating stations. However, the progressive opening to competition has not always been accompanied by a reduction in charges to users as the Commission called for in its Broad Economic Policy Guidelines for 2002.

The telecommunications industry remains one of the most dynamic in terms of competitive arrangements. Lower prices and greater possibilities of choice for consumers have encouraged innovation and technological progress. Government actions to promote the ICT economy on both demand and supply side, including incentives for applied research and its transfer into industrial practice, aim to overcome Italy's increasingly evident lags in the area of innovation and scientific research.

The reform of environmental legislation on water resources and waste disposal should help to overcome the fragmentation that has characterised these areas and the obstacles stemming from the slowness in implementing the reform of local public services.

The drive to reduce the administrative burden on Italian enterprises has continued. Measures have been taken to encourage regional governments to utilise the tools for administrative simplification, in particular the "one-stop office" for businesses.



Regulatory reform in services other than utilities has sometimes been halting. For the professions in particular, a contribution towards a more competitive environment is expected from reform proposals now before Parliament.

Substantial signs of a decoupling of pressures on the environment from economic growth are perceptible, mainly in the areas of water resources and energy. The same cannot be said for waste disposal and transportation.

Recent changes in the rules governing banking, financial and insurance markets and companies aim at heightening competition and transparency vis-à-vis users and markets.

As the Commission has expressly requested, this year's Report contains special chapters on the measures implementing the Broad Economic Policy Guidelines and on policies to reduce early retirement.



II. ASSESSMENT OF MARKET PERFORMANCE AND STRUCTURAL REFORMS

II A. PRODUCT MARKETS

Opening new markets to competition and furthering economic integration

Legal and administrative framework

In 2002, continuing the process begun in past years, administrative streamlining centred on those procedures that constitute bureaucratic obstacles to the life of citizens and firms and that impede the proper functioning of the public administration. Special importance, among Government initiatives to promote innovation in government, attaches to the funding of projects for the development of the “one-stop office” for businesses. This is the first step towards the transformation of these offices into on-line units providing integrated services to businesses, shortening the time required for the issue of the final permits.

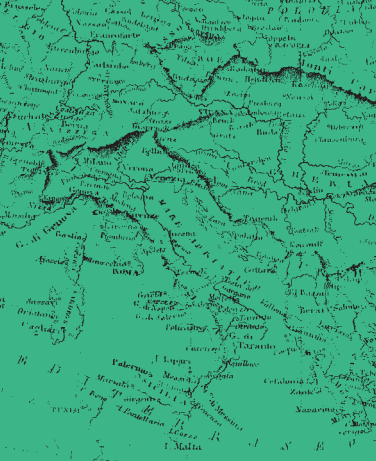
According to the latest assessments, the projects financed should bring the number of municipalities with one-stop offices active or at least instituted up to 62.7 percent of the total at the end of 2002, compared with 48.7 percent in January 2001, and the population reached by the service from 68.6 to 79.5 percent; in the South of Italy, 81 percent of municipalities and 89 percent of the population should be served by the one-stop offices.

One of the measures with the greatest simplifying impact for businesses has been the virtually complete abrogation of the procedure for ratification of corporate acts. ⁽¹⁾

The rules for self-certification and reduction of administrative documentation have cut the number of certificates issued by the Chambers of Commerce to registered firms by 14 percent. ⁽²⁾ The

⁽¹⁾ The measure was introduced in Article 32 of Law 340/2000 (“Simplification Act of 2000”) and reaffirmed in Law 366/2001, the corporate law reform enabling act.

⁽²⁾ Law approved with Presidential Decree 445/2000.



obligations abolished include the stamping and authorisation of some account books, a procedure that has been reduced by 13 percent in the last year. ⁽³⁾

A recent study of relations between Public Administration and firms found improvement in accessibility and transparency of administrative procedures. Survey respondents showed strong appreciation (80 percent of the firms interviewed) of the activity of one-stop offices. ⁽⁴⁾

Transposition of Single Market directives did not improve in 2002 (See Supplement III.A).

Obstacles to trade and to cross-border investment

The Italian economy was unable to avoid the effects of the slowdown in the world economy in 2001. Nevertheless, whereas between 1996 and 2000 Italy's share in world exports fell from 4.7 to 3.7 percent, in 2001 the downtrend was halted. At current prices, Italy's share rose to 3.9 percent, although this gain does not reflect the recouping of competitiveness but appears to be due exclusively to the favourable effects of the sectoral and geographical composition of world demand. That is, Italian exports were bolstered by a less pronounced presence in the industries worst hit by last year's recession (information technologies and telecommunications).

The number of exporters to areas outside the European Union increased, especially in the most dynamic markets. Thus the diversification of Italy's sales abroad also increased. Intra-EU trade contracted in 2001 (see Table 1).

Italian exporters consist almost exclusively (99 percent) of small and medium-sized companies with fewer than 250 employees. Between 1997 and 2000 the incidence of these firms on total Italian exports diminished slightly both in terms of work force (from 56 to 54 percent) and in terms of export value (from 59 to 58 percent). However, their share of firms making direct investment abroad rose from 59 to 60 percent, continuing a tendency that emerged, more strongly, in the early 1990s.

Overall, the number of Italian firms capable of investing abroad has increased. At the end of 2000 they numbered more than 1,200, with equity participations in nearly 3,000 companies abroad. Foreign direct investment by Italian firms went increasingly to Central and Eastern

⁽³⁾ This obligation was abolished by Law 383/2001, Article 8.

⁽⁴⁾ Conducted by the Observatory on relations between government action and economic activities, promoted by the Department for Public Administration and released in December 2002. For more details, see the website www.funzionepubblica.it.



Europe and to Asia during 2000; by industry, the increase was chiefly where exports enjoyed a comparative advantage. Direct investment by foreign firms in Italy also increased, owing in part to the purchase of Elettrogen by a consortium formed together with Spanish investors.

Firms belonging to industrial groups active in Italy accounted for 61 percent of exports; 15 percent of exports were accounted for by foreign-controlled groups, mainly in industries where economies of scale are substantial; on the import side, the corresponding proportions are 67 and 27 percent.⁽⁵⁾ As for processing trade, considered as a form of international fragmentation of production, the Italian presence appears to be less extensive in this field than that of other European countries, especially in inward processing trade. However, there has been an increase in outward processing, especially to Central and Eastern Europe, even though the customs incentive for such operations has been eliminated in recent years.

Italy's steadily weakening position in world exports in the second half of the 1990s, recouped only to a very small extent by the results of 2001, is largely explained by the "dynamic inefficiency" of the Italian economy's productive specialisation, i.e. the fact that Italy's comparative advantage is concentrated in products and markets that have shown relatively slow demand growth in recent years. For the rest, the loss of shares is essentially the inevitable consequence of international relocation of labour. Italy's small and medium-sized enterprises were slower than their competitors in the rest of the developed world in moving into this phase of international fragmentation of production, which has adversely affected export competitiveness. Our industrial districts, which are responsible for a large part of Italy's export success, are nevertheless trying to develop a new balance between the competitive advantages stemming from their deep local roots and those connected with the ability to move swiftly in the international economy.

Public export support programmes are being perfected with the decentralisation of powers and the creation of regional business service offices. In 2001, there was a sharp decline in the use of the traditional instruments of export finance. At the same time, however, firms showed increased interest in instruments of support for more advanced forms of internationalisation (marketing programmes, foreign direct investment, etc.). There was also a considerable increase in use of the assistance services of Italtrade (ICE), which can now be acquired on-line. The Chambers of Commerce are also playing a growing role as service providers, with their extensive presence everywhere in Italy.

⁽⁵⁾ Data from Italtrade (Istituto per il Commercio Estero).



Competition in services

In some service industries competition is still weak, and there is ample room for further improvement. Government bills in some sectors (professional orders and insurance) are aimed at overcoming the distortions that still weigh on competition.

On professional associations, Supplement III.A on the implementation of the Broad Economic Policy Guidelines for 2002 discusses the new regulatory framework now being examined by Parliament.

In the insurance industry, the figures confirm that the main distribution channel remains agencies with exclusive mandates from the companies, even though there was a slight decline in their share from 88.2 percent in 2000 to 86.8 percent last year. The share of premiums sold by insurance brokers – a form of sale that could potentially heighten competition – rose by one percentage point, from 6.4 to 7.4 percent.

In automobile insurance, distance sales methods continue to expand. Premium income generated via the Internet doubled from 32 million Euro in 2000 to 62 million Euro in 2001, and telephone sales rose by over 40 percent (from 180 million Euro to 253 million Euro).

The reform recently approved by the Government envisages the introduction of the actuary as the point of reference within each insurance company for the control bodies as regards prices and costs, thus providing greater transparency. Further, fraud by clients has been made a criminal offence, which should discourage such conduct and thus reduce premiums, thanks to the reduction in risk for the companies.

In order to foster competition and transparency, insurance companies have been required to create a website where policyholders can construct their own personalised estimates.

The opening of the fuel distribution network to new entrants is proceeding slowly. Finalising the reference framework for the regional plans in this sector took quite a long time because while they must take account of local specificities, the plans must also be as uniform as possible. Substantial differences could constitute a barrier to the entry of enterprises intending to operate nationwide. At the same time, the sale of the outlets under the voluntary rationalisation plan that the oil companies submitted to the Antitrust Authority in July 2001 is proceeding; the plan calls for the closure of 3,000 outlets by the end of 2003.

The number of fixed retail outlets increased by 2,400 in the first half of 2002. The number of food stores declined significantly, continuing a



trend under way for a number of years now, partly owing to the expansion of supermarkets (see Tables 42 and 43). Nearly all the stores are neighbourhood stores. There was an increase in the average size of the new stores opened and a sharp rise in the share opened by limited companies rather than as sole proprietorships. By region, some regions of the North and Centre recorded net decreases in the number of retail outlets.

Public policies having an impact on product markets

Competition policy

The Antitrust Authority's action aimed mainly to eliminate the constraints on correct functioning of the market. Specifically, the Authority has stressed the risks of a slowdown of reform owing to the proliferation of regulatory authorities. Special importance in this regard attaches to the reform of Title V of the Constitution, under which the protection of competition is explicitly included among the exclusive powers of the national government. The Government thus has at its disposal a key tool for fostering a single view of the reforms, so that free competition becomes the standard of reference to which all regulatory systems, including local ones, must conform.

In 2001, under the competition law, the Authority evaluated 616 mergers and acquisitions, 43 agreements, and 28 possible abuses of dominant position (see Table 48). In the area of agreements between firms, nine investigations were concluded in 2001; the sector mainly involved was the petroleum industry (see Table 49). Only two of the investigations ended with a finding of violation of the ban on agreements in restraint of competition under Article 2 of the new law, and in one of them (an agreement between film distributors and theatre operators) fines were levied. ⁽⁶⁾ In the first three months of 2002 the Authority concluded two investigations on agreements; eight others are still under way.

On abuses of dominant position, in most of the examinations of alleged violations of the law, illicit conduct was ruled out without having to begin a formal investigation. Three investigations were concluded in 2001 (see Table 50). ⁽⁷⁾

⁽⁶⁾ Law 287/1990. The other violation involved the regional associations of architects and engineers.

⁽⁷⁾ Assoviaggi-Alitalia; Infostrada-Telecom Italia – Tecnologia Adsl; Veraldi-Alitalia.



The number of M&A operations assessed by the Authority in 2001 was the highest since the passage of the law. Of the 616 cases examined, 566 ended with the adoption of a formal decision; 44 concluded with a finding of no grounds for proceeding.

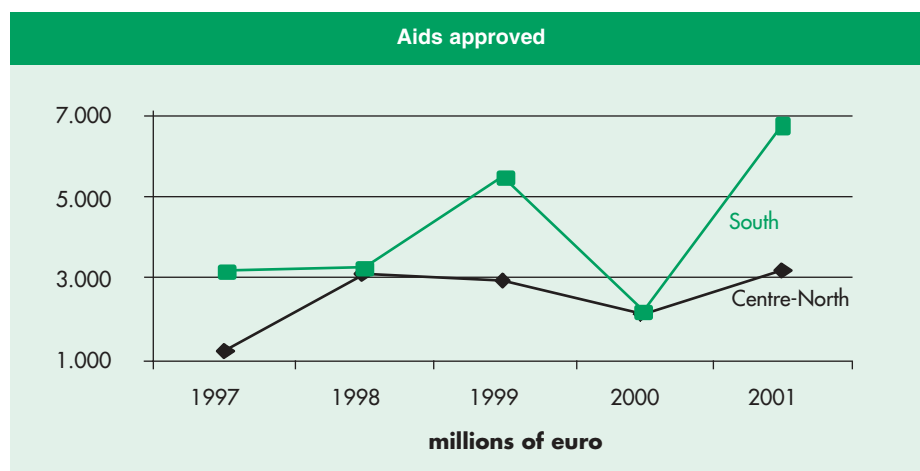
State aids

Italian policy on State aids to firms is conducted strictly in conformity with the guidelines laid down by the EU Commission, and in particular with the strategy set out and the commitments undertaken at the Stockholm Council and confirmed in March 2002 at Barcelona Council.

In 2000, Italian State aids were in line with the EU average both in proportion to GDP and per capita. ⁽⁸⁾

The system of incentives for firms has been characterised by dynamic elements such as: the delegation to the Government by the Parliament to reorganise the system of State aids to firms; the decentralisation process, which began in 2000 and 2001; the new plan, for 2000-2006, for the European structural funds and the initiation of national and regional programmes; the tax credit for depressed areas introduced as part of the Finance Law for 2001.

In 2001 there was an appreciable rise in applications for subsidies and in the related macroeconomic variables, i.e. investments and employment. Firms submitted 177,235 subsidy applications under national and local laws, and 64 percent were approved.



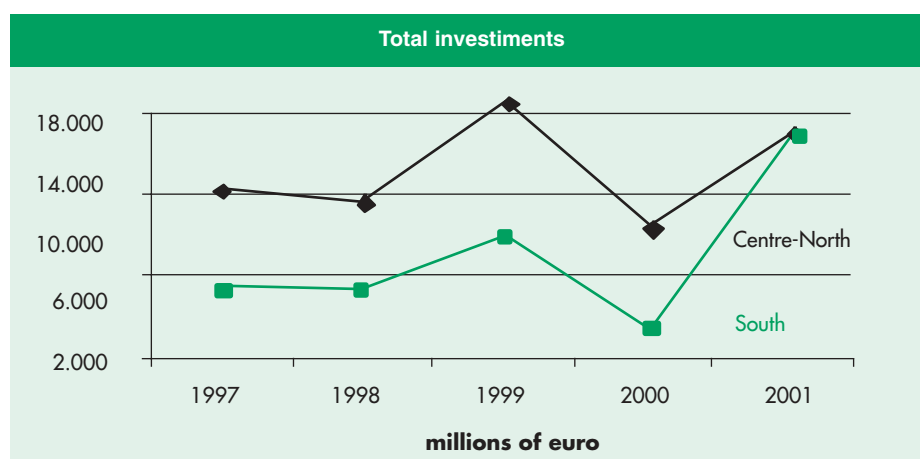
⁽⁸⁾ As emerges from the European Commission's "State Aids Scoreboard".



One significant trend compared with the past is a greater concentration of incentives in the South. In 2001 there was a sharp rise in applications submitted and in those approved, in funds utilised, in investments and in employment due to the aid programmes. Thanks to an increase in incentives, the total volume of investment in the South has almost been equivalent to that in the Centre and North.

In large part the investments were actually initiated in 2002 and will be completed in the next two or three years.

Grants totalled 5,199 million Euro, with an increase of 14 percent over 2000. In the South the increase came to 31 percent. In addition, there were some 500 million Euro in tax credits, 90 percent relative to the South.



Taxation of firms

With the Pact for Italy, signed with the social partners on 10 July 2002, the Government undertakes to reduce the corporate income tax in order to improve the competitiveness of firms and increase employment. The commitment is to reduce corporate income tax by at least two percentage points and bring forward to 2003 the reduction in the labour cost component of IRAP for about 500 million Euro. These commitments are confirmed in the Finance Bill for 2003, which sets the corporate income tax rate at 34 percent, starting in 2003, and at the same time modifies the amount of the tax credit for dividends.

In 2002, the Government restored the tax exemption for profits reinvested in the purchase of instrumental goods, a broad, general tax relief for firms, compared with the more selective dual income tax. Further, new measures have been introduced to permit the exclusion of



instrumental buildings from the net worth of sole proprietorships and an extension of the deadline for assigning non-instrumental assets to the partners of commercial enterprises.

The Finance Law for 2002 introduced supply-side rules to enhance the efficiency of the productive system, such as the voluntary upward value adjustment of firms' assets and equity investments; the mobilisation of suspended tax reserves and funds; the recalculation of the purchase price of some equities and some types of land.

Another aspect of tax improvements for firms consists in simplification measures, which aim at lowering the administrative costs of performing one's tax obligations.

A bill for fiscal reform, drafted by the Government, is now before Parliament. The salient features of the new system are:

- a) the abandonment of the previous corporate tax system, hinging on the dual income tax and the Regional Tax on Productive Activities (IRAP), beginning initially with the exclusion of the cost of labour from the tax base and continuing, subsequently, with the exclusion of other cost components;
- b) the generalised exemption of corporate dividends and distributed capital gains, the abolition of the tax credit and other measures on the tax treatment of capital gains and losses;
- c) the introduction of an optional consolidated tax statement for groups, which can be extended to companies operating abroad.

To foster economic recovery the Finance Law for 2003 enacted a tax concordat for firms with medium-level turnover, in order to permit them to regularise past positions for the years 1997-2000. Under the concordat company or self-employment income tax and VAT can be determined automatically, ruling out any subsequent control by the revenue agency. The Law also allows for prior agreement, for a period of three years, of one's tax base for income tax and the Regional Tax on Productive Activities. Any income over the agreed amount earned during the three years will not be subject to tax.

The Law also allows all taxpayers (although it is expected that firms will be virtually the only ones to profit) to determine all their tax liabilities automatically, paying a percentage of the tax declared.

Public procurement

The Economic and Financial Planning Document issued in July designated, as one of the main instruments for the rationalisation of



public expenditure, the strengthening of procurement through on-line tenders and the electronic market by government bodies. ⁽⁹⁾ The Government's programme envisages the extension of the Consip's e-procurement model, based chiefly on a series of master conventions with suppliers, to at least half of all public procurement by the end of 2005. ⁽¹⁰⁾

Consip works to reduce costs, simplify purchasing procedures and increase transparency through three models of e-procurement: electronic catalogues, on-line auctions, and the electronic market. ⁽¹¹⁾ The catalogues have been operational since July 2000, and master conventions for 19 categories of products have been realised. To date, more than 16,000 government bodies have made a total of over 90,000 purchase orders through the conventions. This resulted in an average reduction in unit costs of 31 percent in 2001. Six on-line tenders have been held, producing significant savings (as much as 49 percent) with respect to the base auction price.

The Finance Law for 2003 requires government departments and public institutions to utilise the Consip's master conventions, while to proceed independently the prices set in the conventions must be used as the base for auctions, with applicants offering lower prices. To monitor public procurement and curb spending, Consip can also, at the request of public entities, act as procurer, at no charge.

Utilities and other network industries

Introduction: price trends and indicators of quality

The **telecommunications** industry has steadily approached the performance of the most advanced European countries from the standpoint of competition, with a significant reduction in prices and a modification of the price structure for many voice phone services. In 2001 Telecom Italia complied with the price cap imposed by the Communication Authority, which meant a reduction of 2 percent in the charges for voice phone services included in the price cap basket: monthly subscriber charges and contributions, local calls, long distance calls, international calls. There was also a decline in the charges for calls from fixed to mobile phones (Table 18). For example, Telecom Italia's price for a three-minute call from fixed

⁽⁹⁾ Presidential Decree 101, April 2002.

⁽¹⁰⁾ Consip (Concessionaria Servizi Informatici Pubblici) is a company limited by shares, entirely owned by the Ministry of the Economy, which does consulting and provides assistance for innovation in government.

⁽¹¹⁾ To this end it has activated two websites: www.consip.it and www.acquistinretepa.it.



to mobile phone, calculated as the average of the charge to make the call to the four mobile phone companies, diminished by more than 3 percent. Moreover, competition with Telecom led the other operators to cut their own prices for local, long distance and international calls provided via carrier selection and carrier preselection (Tables 19, 20).

In the mobile telephone market, where the various carriers prefer to compete in product supply rather than price, the great complexity of the offers makes it difficult to compare prices over time. In general, there was a reduction in unit prices in 2001, but much less substantial than in fixed telephony (Table 23).

The telecommunications Authority intervened in May 2002 with a resolution containing “measures to guarantee the full implementation of the principle of equal internal and external treatment by operators who have substantial market power in fixed telephony”. ⁽¹²⁾ It requires Telecom Italia S.p.A. to offer the same supply conditions and prices to competitors as to its own subsidiaries and divisions.

In the **electricity market** and the **natural gas market**, the completion of liberalisation relies on the progressive elimination of differences in prices between categories of customer that are not justified by differences in costs (Tables 9-12).

Service quality is guaranteed and subject to continual improvement, thanks to a broad set of rules covering many aspects of this service and the introduction of uniform national quality standards (Tables 31-35). Specifically, the application of the system of penalties and incentives in the electricity industry that went into effect on 1 January 2000 produced significant improvement in regularity of service in 2000 and 2001. In the 17 regions served by ENEL, for which data are also available for 1999, the average reduction in total length of outages (number of minutes per customer) between 1999 and 2001 amounted to 21 percent. ⁽¹³⁾

Quality monitoring in the **railways** confirmed the improved performance in medium and long-haul routes (Table 37). The punctuality indicator in 2001 was about the same as in 2000, and the percentage of regional trains coming in less than 5 minutes late increased, as did that of those arriving under 15 minutes late (Table 38). The tariff increases that were to go into effect in January 2002 were suspended to avoid the concomitance with the changeover to the Euro.

⁽¹²⁾ Resolution 152/02/CONS.

⁽¹³⁾ This figure does not cover Campania, Calabria and Sicily, where the observations made in 1998 and 1999 were not reliable. In these regions, after sanctions applied by the Authority, there was a 20 percent reduction in just one year.



Market opening and network access

Final expenditure for telecommunications services in Italy increased by 9.4 percent in 2001 to a total of 29.2 billion Euro. Market openness also improved, with an increase in the number of licensed telephone operators to some 250 in April 2002 (230 for fixed telephony services) and a modification in the structure of fixed-network service supply. As for network access, the framing regulations on unbundling enacted in 2000 were fully implemented, ahead of the schedule laid down in the Community regulation. Requests for lines by licensed operators are under way. As of 31 September 2002 there were some 82,000 unbundled lines, which is to say 55,000 customers who had switched from Telecom to competing carriers. Considering that in 2001 there were just 1,000 unbundled lines, performance in this area was excellent, putting Italy in second place of Europe.

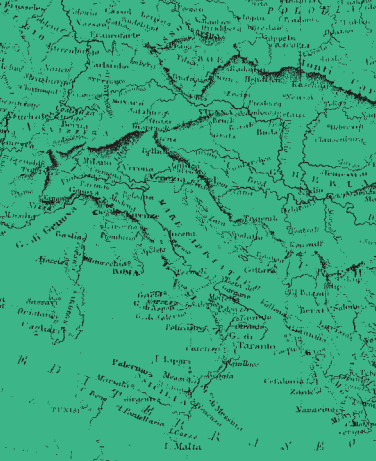
The Italian voice telephone market is still characterised by Telecom Italia's dominant presence in the provision of access lines, but the start of the final phases of unbundling and the supply of alternative access by competitors have produced appreciable results, also on prices.

Telecom Italia's share has come down by 7 percentage points since 2000, reflecting a general downward trend in all segments, though the decline in long-distance calls was sharpest (13.6 percent). The presence of alternatives to the incumbent has been confirmed, especially for the largest competitors (Albacom, Wind-Infostrada, Tele2).

The mobile telephone market confirmed its high rate of expansion in 2001, even though the growth of 26.9 percent was slower than in the past. Competitive positions in this segment were modified: TIM suffered a drop of 5 percent in its market share as measured by revenues, mainly to the benefit of Wind (Table 22). Both TIM and Omnitel lost about 3 percent of their subscribers, to Wind and (to a lesser extent) Blu.

Given the very extensive penetration of mobile phones, a key decision was that regarding mobile number portability. At the end of a process involving all the leading operators, a protocol agreement was adopted under which the initial phase of preselection could begin. The Authority appointed an internal monitoring unit to oversee the effective implementation of the measures.

In the **electricity industry** consolidation of the regulatory framework continued with the aim of favouring investments and fostering competition. A law to simplify administrative procedures for the construction of new plants has been approved and the Government undertook, in the last Economic and



Financial Planning Document, to take all the necessary measures to streamline and accelerate the realisation of new transmission lines.

With the completion of the sale of ENEL's productive capacity, the conditions for the start-up of the Electricity Power Exchange have been put in place. This will allow stability and transparency in pricing.

The sectoral Authority revised its directives on accounting and administrative separation for companies operating in the two sectors, with the objective of uniformity and transparency of company financial accounts. ⁽¹⁴⁾

While in the electricity industry there was a simplification of existing regulations, in the **natural gas industry** the new rules on accounting and administrative separation were issued.

The transition to fully open markets on the demand side, will take effect on 1 January 2003 when the sale of gas to final users will be completely liberalised.

The competitive setting for **local public services** is being rapidly transformed (for a summary of economic developments in the sector as a whole and in its main components, see Table 39). Many public service companies have been transformed, notably in terms of ownership structure. In 1998, there were 90 limited companies in this sector; by the first half of 2002 there were 450.

The Government revised the regulatory framework of the sector, reducing public operation and leaving to local governments the task of assuring the public service ⁽¹⁵⁾. The regulations for execution and implementation of the measure, which must specify the rules for tender bids and the exact identification of industrially relevant local public services, are in course of drafting.

The reform of **water services** was begun in 1994 and is still incomplete. ⁽¹⁶⁾ Water resource management is still highly fragmented. Water services are now managed by some 8,000 different entities, mostly in the form of direct municipal management. Nevertheless, considering the effects of the initial plans for reorganisation implemented with the constitution of optimal water management areas (the so-called ATOs), the reform can be seen to have had significant impact, even though 74 percent of the ATOs have not yet decided on a form of integrated water resource management (Table 13). ⁽¹⁷⁾ In this

⁽¹⁴⁾ Resolutions 310/2001 and 311/2001. Under these resolutions each business activity of a company must be managed independently, as if it were a separate company, and separate financial statements for each individual business activity must be drawn up.

⁽¹⁵⁾ Article 35 of the Financial Law for 2002.

⁽¹⁶⁾ Law 36/1994 (the "Galli" law).

⁽¹⁷⁾ Of the 26 percent of areas that have decided on a form of management, 3 percent have opted for concessions and 23 percent for direct assignment.



situation, annual adjustment of tariffs by the Government continues to be necessary (Table 14). ⁽¹⁸⁾

The implementation of water resource reform will be affected not only by the implementing regulation of the law reforming local public services but also by the bill for the “reordering, coordination and integration of legislation on the environment” now before Parliament, which envisages the use of public-private partnership for water system projects. ⁽¹⁹⁾

Waste collection and disposal in Italy is excessively fragmented, which has hampered the industrialisation of this activity, while the relative lack of involvement of private capital has meant that integration of the waste cycle with the rest of the economy is still insufficient. A contribution to industrial operation in this area is expected from the reform of local public services and from the bill for the “reordering, coordination and integration of legislation on the environment”.

The measure aims to rationalise the collection and disposal of urban waste by defining territorial areas within which to provide for the gradual transition to disposal in forms other than simple land-fill, and the assignment of service management by public procedures ⁽²⁰⁾. A further purpose of the bill is to provide a certain timetable for the transition to competitive procedures.

In urban waste removal, the changeover from taxation to pricing will be gradual: starting in January 2003 for municipalities which in 1999 already covered more than 85 percent of their costs; from January 2005 for those which in 1999 covered between 55 and 85 percent; from January 2008 for those that had less than 55 percent cost coverage and those with under 5,000 population. The transition entails application of VAT (at a 10 percent rate) on the amounts payable by users.

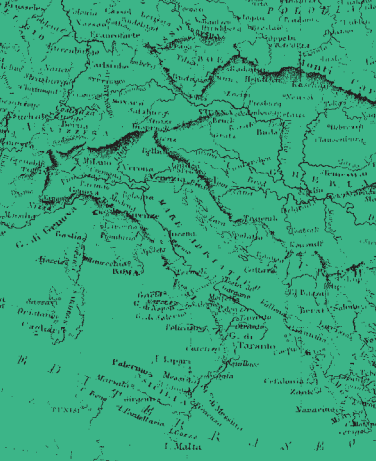
Public transport has undergone a series of regulatory measures to remedy the infrastructural and operational shortcomings that have hampered harmonious territorial development. With a view to accelerating the upgrading of national transport infrastructure, with special attention to the South, the so-called “Objectives Law” was enacted. ⁽²¹⁾ The infrastructures included in this programme of strategic public works projects are primarily national, and their realisation is aimed at modernising the country and improving economic balance among Italian regions. The purpose of the law is to enable the

⁽¹⁸⁾ Through Interministerial Committee for Economic Planning – CIPE.

⁽¹⁹⁾ Bill no. 1753, Article 3.1.b.

⁽²⁰⁾ Bill no. 1753, Article 3.1.a.

⁽²¹⁾ Law 443/2001.



Government to adopt a series of legislative instruments to simplify and speed up the procedures for awarding public works contracts for strategically important infrastructures.

In **railways**, the Public Service Contract for 2001-2002 between the central government and Trenitalia S.p.A. was finalised in 2002; that for 2002-2003 is in course of completion.

The Planning Contract for 2001-2005 with *Rete Ferroviaria Italiana* (RFI), the railway infrastructure management corporation, calls for investment totalling 48,402 million Euro. To ensure rational planning of projects, an investment priority plan has been drawn up calling for the realisation of a good number of infrastructural projects, with top priority (35 billion Euro) going to the objective of railway development in the South of Italy.

Gruppo Ferrovie recorded its first profit in 2001 (16 million Euro), thanks to an increase of 330 million Euro in revenues and a 79 million Euro reduction in staff costs.

The restructuring of the associated companies of the *Ferrovie* group continued, and following the partial privatisation of *Grandi Stazioni S.p.A.* (operators of the major railway stations), that of *Medie Stazioni* (now called *Centostazioni S.p.A.*) was also completed. ⁽²²⁾ *Centostazioni* manages 103 medium-size stations with total surface area of 400,000 square meters.

Liberalisation continued thanks to the law transposing EU legislation for 2001 empowering the Government to implement a series of EU directives on the development of Community's railway, railway licenses, tariffs and safety certificates. ⁽²³⁾ At present there are 27 railway companies owning a license (26 of them have requested and been granted the extension of transport services to the entire national territory). Six of them already have the safety certificate (see Table 27). ⁽²⁴⁾

As to competition, competitive tender has been introduced for "passenger railway services of national interest to be subject to public service obligations", which are currently performed by *Trenitalia S.p.A.*, under previously defined principles. ⁽²⁵⁾

⁽²²⁾ The private investors, who hold a 40 percent stake thanks to a capital increase, are grouped in the Archimede corporation and include SAVE (the Venice airport operator), Manutencoop, Investimenti Immobiliari Lombardi, and Pulitori e Affini.

⁽²³⁾ Law 39/2002 and Directives 2001/12/EC, 2001/13/EC, 2001/14/EC.

⁽²⁴⁾ Law 388/2000, Article 131.

⁽²⁵⁾ Bill containing "Measures on transport and infrastructures" (AC 2032) accompanying the Finance Bill for 2003 and Legislative Decree 422/97.



A substantial programme of incentives for combined railroad goods transport was introduced with the aim of reducing air pollution and achieving better balance of transportation modes. The implementing regulations are being drafted. ⁽²⁶⁾

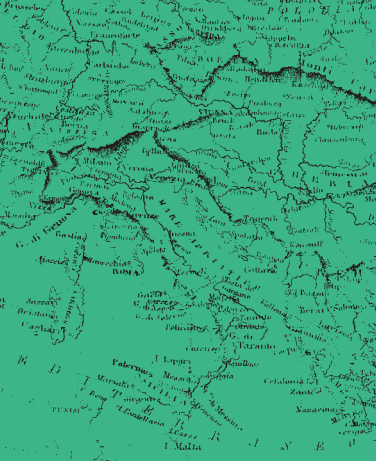
Renewed attention to **local public transport** resulted in an increase, between 2000 and 2002, in the share of urban mobility carried by public transit. This sector too will be affected by the reform of local public services called for by Article 35 of the Finance Law for 2002, which is expected to speed up the privatisation of public transit companies.

All the regions have now issued regional laws implementing the reform. ⁽²⁷⁾ Liguria and Lombardia have introduced competitive bidding, which is mandatory as of 2003. However, the planning of local public transport is still behind schedule, and only Emilia Romagna, Valle D'Aosta, Puglia and Friuli Venezia Giulia have approved the required new Regional Transport Plan. Price integration has been introduced only in Lazio. Finally, service contracts are still not particularly common. Whereas nearly all the ordinary-statute regions have signed contracts with *Trenitalia S.p.A.*, contracts between service providers and local governments represent only 50 percent of the total.

In **postal services**, the share of revenues generated by services reserved exclusively to *Poste Italiane S.p.A.* continues to diminish. The share of *Poste Italiane*'s revenues coming from postal services previously provided under monopoly is estimated to be below 66 percent in 2002, down from 73 percent in 1997 (Table 16). In the first half of 2002 *Poste Italiane*'s income increased slightly, although the group's net loss was twice as great as in the previous year, above all because of a sharp rise in depreciation on investment to modernise infrastructure and restructure the corporation. The objectives set in the Planning Contract were all overfulfilled (Table 36): 86 percent of priority mail letters were delivered within one day, against the 80 percent target; 93 percent of ordinary letters were delivered within three days, against a target of 90 percent; in international mail, the improvement of quality standards was slowed by tighter security controls. Finally, the infraction proceeding against *Poste Italiane* initiated in 1998 by the EU Commission was decided in favour of the corporation. The Commission's economic verification of the data on accounting separation certified by *Poste Italiane* resulted in the conclusion that the support measures of the Italian Government from 1959 to 1999 (a

⁽²⁶⁾ Law 166/2002 (accompanying legislation on infrastructures and transport), Article 38.

⁽²⁷⁾ Legislative Decree 422/1997 and Legislative Decree 400/1999.



total of 27 billion Euro) did not constitute State aids, in that they did not exceed the cost of the universal service that the corporation was obliged to provide.

The regulatory Authorities in network industries

The laws instituting the authorities display considerable variety in the criteria for appointment, the number of members and their term in office, and human and financial resources (see Tables 46 and 47). This basic lack of uniformity and the recent changes regarding public utilities underscore the need for reform of the legislation governing independent authorities and sectoral agencies. To this end a number of bills have been presented to Parliament. The Government's bill for reorganisation of the energy sector sets out a new organisational model for the Electricity and Gas Authority, redistributing powers between the Ministry and the Authority so as to minimise delays in the issue of regulations. ⁽²⁸⁾

Environmental policies

National environmental objectives and the use of market instruments

In the last year, Italy has made substantial progresses in developing the institutional framework and in decoupling environmental pressures from economic growth, thanks to the adoption of laws aimed at improving and protecting the environment.

Italy's policy-makers face two key tests: implementation of the National Strategy for Sustainable Growth and the launch of the national plan for the reduction of greenhouse gas emissions, which represents the development and furthering of that strategy as regards the country's commitments under the Kyoto protocol. ⁽²⁹⁾ The strategy and the plan together constitute the first long-term programme of environmental goals involving the bulk of Italy's productive system.

The scheduled law instituting the national system of accounts for the environment and sustainable growth has not yet been enacted, despite the fact that both majority and minority forces in Parliament appear to support its approval. This legislative delay has slowed the development of the statistical system.

⁽²⁸⁾ Bill for "Reform and reorganisation of the energy sector" (AC 3297).

⁽²⁹⁾ The National Strategy for Sustainable Growth was approved on 2 August 2002 and the Protocol was enacted with the Law 120/2002.



Parliament is working on new framework legislation for environmental impact assessment consistent with the European Union's directive on the matter (see Table 40). Procedures for quicker and more streamlined Environmental Impact Assessment have been adopted for new electricity generation plants and for the priority infrastructural projects specified in the Objectives Law.

The transposition into Italian law of the Strategic Environmental Assessment of plans and programmes is under preparation.

Industrial participation in environmental management systems is still quite limited. Only 1077 Italian firms were registered as ISO14001 in 2001, and just 74 had EMAS certificates. And while the figures for the first few months of 2002 indicate a rapid increase in certifications, it can be concluded that firms still do not consider registration as a competitive factor. For SMEs, this is due in part to excessively high costs for registration.

Climate change and air quality

In order to reduce greenhouse gas emissions, the main long-term national objective is compliance with the Kyoto protocol. The act incorporating the protocol into Italian law was approved on 1 June 2002. The national plan for the reduction of greenhouse gas emissions has been drafted by the Ministry for the Environment and Territorial Protection and is now being evaluated by the economic authorities.⁽³⁰⁾

The tax on pollutants other than the six greenhouse gases, a market instrument to attenuate environmental impact, generated revenues of 58 million Euro in 2000. However, it applies only to sulphur oxides and nitrogen oxides; other pollutants are not covered (see Table 41).

National energy and environmental policies

A recent decree allows for simplified procedures for the construction of new power plants with the provision for a single authorisation.⁽³¹⁾ This authorisation includes the integrated environmental permit and replaces, to all purposes, the individual environmental permits issued by the government departments and local authorities affected. A positive Environmental Impact Assessment is an integral part of the authorisation requirements. Thanks to the streamlined procedures, by October 2002

⁽³⁰⁾ The policies for renewable energy sources are described in the next section.

⁽³¹⁾ Decree Law 7 of 7 February 2002, ratified as Law 55 of 9 April 2002, "Urgent measures to ensure security of the national electricity system".



plants with 4,000 MW in capacity had been authorised and another 3,000 MW were in the final stage of authorisation. ⁽³²⁾

A bill recently submitted by the Government aims to diversify energy sources and thus safeguard the reliability of energy supplies and the environment by means of:

- increasing the use of renewable sources of energy, with a requirement that the percentage of renewably generated electricity put into the power grid must rise by 0.3 points per year; the same rate of increase is called for with respect to the production share from mixed hydro - and coal-powered plants. Violators are subject to fines of 150 percent of the amount required for the purchase, in the previous year, of the “green certificates” needed to cover the violation. The proceeds of the fines are allocated to an account for new plants from renewable energy sources and equivalent. The GRTN is assigned to determine the portion of electricity generation that will be eligible for “green” certificates.
- valorisation of national hydrocarbon resources, favouring prospecting and use in environmentally friendly modes;
- increasing efficiency in final energy uses;
- introducing measures to offset environmental impact;
- instituting simplified, transparent, non-discriminatory procedures for authorisation under a free market system for the realisation of infrastructure;
- quantifying the obligation of producers and importers to feed into the power grid a certain share of electricity produced from renewable sources and instituting the general rules governing trade in “green certificates”;
- incentives for clean coal, through the perfection of advanced-technology plants;
- abolition of the carbon tax only for coal and orimulsion;
- the diversification of energy sources for safety and environmental protection to be promoted through tax relief.

Programmes for energy saving ⁽³³⁾ have been only partly put into effect, although quantitative targets have been set, to be attained by reducing primary energy consumption by defined minimum amounts and on a definite timetable. So-called “Energy efficiency securities” issued by the Authority have also been introduced. They are negotiable, though the relative market has not yet gone operational.

⁽³²⁾ The interested plants are those with power greater than 300,000 MW considered as public utilities infrastructures.

⁽³³⁾ “Setting of targets for increased energy efficiency in final uses pursuant to Decree Law 79 of 16 March 1999, Article 9.1.”. This is accompanied by the decree on “Determination of national targets for energy saving and development of renewable sources pursuant to Article 16.4 of Legislative Decree 164 of 23 May 2000 for the natural gas industry.



Transport

Excise taxes on lead-free petrol are higher than those on diesel fuel, even though many studies have found that the latter is especially harmful to health.

The taxes on the sale of vehicles and the annual registration tax have been restructured to attenuate the environmental impact of motor vehicle use, by linking both to engine power/volume. The State provided 8 million Euro in direct grants to individuals for the purchase of non-polluting vehicles: electric, hybrid, methane or GPL-powered. The cities of Rome, Florence and Naples have appropriated funds of their own to the same end. All vehicles pay motorway tolls; lorries and coaches also pay an annual tax based on the number of miles covered.

Solid waste and recycling

The volume of solid waste in 2001 was 28.9 million tons, less than forecast but nevertheless more than in 2000. No incentives are in place to support waste recycling. Planning agreements, which were to activate market instruments, have remained largely on paper.

Disposal of waste by incineration, even when this is used to generate energy, the start-up of which does enjoy a subsidy, has failed to win the consent of local residents. Dumping in landfills declined only slightly in 2000. Some regions have introduced tariff adjustments for waste disposed of in landfills, but they have had no appreciable effect on the volume of waste dumped.

There has been an increase in the recovery of packaging materials and in composting. In 2001 a total of 16.9 percent of waste was sorted, representing an increase of 20 percent for the year. More than 7 percent of urban solid waste is used to produce energy. ⁽³⁴⁾

Excise taxes continued to be levied on producers and importers of packing materials, lead batteries and lubricants, which has improved collection, recycling and recovery of waste materials. A similar programme has now been introduced for vegetable oils.

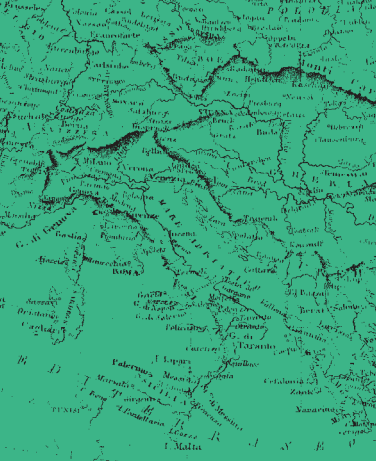
Foster a knowledge-based society

Policies for Research and Development, innovation, human capital

The research sector

The main problems of the Italian research system depend on the reduction in R&D spending from 1.32 percent of GDP in 1992 to 1.03 percent in 2001, on the small-scale presence of large firms in high-tech

⁽³⁴⁾ Data from the National Waste Observatory.



industries, on the small amount of R&D investment by Italian firms, on the relative lack of interaction among research networks, on the lack of propensity in public R&D to disseminate, exploit and evaluate results, on the low number of university graduates and post-graduates in the high-tech sectors, on the relative unattractiveness of scientific careers to young people, on the inadequacy of the Italian education system to the necessities of introduction of new technologies. ⁽³⁵⁾ The strategy aim of the Government for R&D is to foster the economic, employment and social impact of investments in R&D and the international positioning of the Italian economy, with special attention to effects on product, process and service innovation. The objectives will be attained by the application of rigorous techniques and methods of *ex-ante* and *ex-post* evaluation of the results of research.

The Government's action will take five principal directions: 1) support for basic research; 2) support for research for the development of key technologies; 3) strengthening of industrial research activity to foster the transformation of knowledge and technologies into products and processes with greater value added; 4) promotion of product and process innovation capacity among *SMEs*; 5) strengthening of the network of major research structures and promotion of internationalisation of research activity. Through these actions, to be taken consistent with Italy's public finance commitments at European level, the Government aims at increasing public research funding from the current 0.6 percent of GDP to 1 percent by the end of the legislature. This commitment, in the light of the evolution of research spending by Italian industry and considering public/private cofinancing, should produce an overall increase in R&D investment. ⁽³⁶⁾ A further objective, within the Guidelines, is the overall reorganisation of scientific research institutes and agencies, especially public agencies (see Supplement III.A).

In August 2002, the National Space Plan for 2003-2005 was approved. Italy's new space policy focuses strategically on projects with important spillover for Italian industry, especially *SMEs*. At the same time the Plan opens up major prospects for European cooperation in space programmes. Operationally, the Government's action has taken three directions: 1) support for basic research; 2) support for industrial research; 3) specific actions in the South of Italy.

⁽³⁵⁾ Source: OECD, "Education statistics and indicators".

⁽³⁶⁾ These OECD data on R&D are not completely harmonised with the Istat data given in the appendix.



Schools and universities

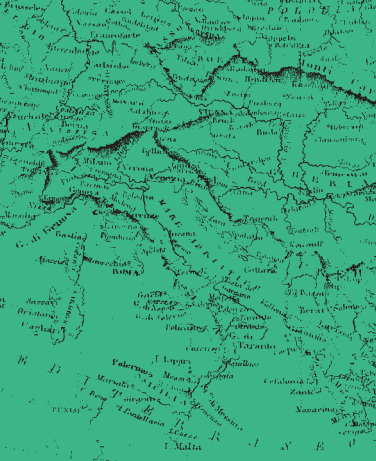
The measures in favour of research are complemented by the measures foreseen in the planned school reform now before Parliament, which lays down general rules for education, although legislation on school organisation will be under the power of the regional governments, obviously without infringing upon the independence of educational institutions (see Supplement III.A). ⁽³⁷⁾ In the course of 2002 Italian universities were heavily engaged in the process of revision of university degree programmes. ⁽³⁸⁾ The universities' programmes were broadened and diversified, with special attention to the more diversified demand in the labour market and the professions. Specialised degree courses will be activated in the 2002/2003 academic year, while specific actions to reinforce post-graduate training are already under way. In the framework of European commitments, the Government has devoted substantial resources to promote effective action to internationalise the university system, to create degrees that will be accepted at European level and to support mobility for students and professors.

The information society

Italy lags considerably behind many of its European partners in innovation via information and communications technology and in the development of the information society. Applied ICT research is not sufficiently developed. Spending on ICT R&D is only about half the European average, in both the public and the private sectors. The Finance Law for 2003 (Article 26) has instituted a fund of 100 million Euro to finance technology projects. Innovation in the financial system requires further advances; the stasis of the markets, moreover, is not counterbalanced by the raising of private venture capital. Italian businesses have not exploited the potential of the Internet. One firm in ten has on-line sales, and only a few more engage in electronic procurement. In the first half of 2002 the Italian ICT market registered its first decline, dipping by 1.2 percent by comparison with the first half of 2001 (Table 60). In part this reflected the limited use of ICT by Italian firms, especially SMEs (Tables 55 and 59). Examining all the retailers who upon listing in the company register said that they engaged in e-commerce, we find a total of 1,704 retailers, including 601 in the mail-

⁽³⁷⁾ Bill 1306, "Enabling act empowering the Government to lay down general rules on education and on essential levels of educational and vocational training services".

⁽³⁸⁾ Provided for by Law 127/1997 and Ministerial Decree 509/1999.



order business. These data are clearly not a definitive representation of reality, but they do corroborate the sensation that this new distribution channel is not widely used, despite the considerable growth of supply and of e-commerce websites.

The value of business-to-consumer e-commerce sales in the first half of 2002 was 1,273 million Euro, compared with 1,639 million Euro in all of 2001. Firms are also increasing business-to-business e-commerce: the value of this trade came to 11 billion Euro in the first half of 2002, compared with just over 14 billion Euro in all of 2001. ⁽³⁹⁾ The telecommunications industry continued to grow, though more slowly than in past years. The mobile telephone market expanded by 26.9 percent in terms of final user spending, and the degree of penetration of mobile phones rose to over 80 percent of the population (Table 61). It is estimated that total mobile telephone customers in Italy numbered 49 million in June 2002. The percentage of users using Short Messaging System (SMS) as well as voice services rose from 61 percent in the first quarter to 63 percent in the second. Internet services continue their impressive growth, owing both to the expansion of the market and to the high degree of supply innovation. The number of Italian Internet users has risen from 3.9 million in 1998 to nearly 19 million in 2002 (Table 57). ⁽⁴⁰⁾ Internet use has increased in all the main user segments (business, government, education), and the ratio of personal computers with Internet links rose to 81 percent in the second half of 2002 (Table 58).

A number of commercial initiatives were taken in 2002 in the field of broadband linkups, and at the end of the first half broadband access amounted to an estimated 710,000 users. ⁽⁴¹⁾ Broadband infrastructure is indispensable to on-line services for businesses and citizens. Accordingly the Government's recent Economic and Financial Planning Document sets the goal of bringing broadband access to virtually all government units, increasing coverage from the present 20 percent to 90 percent. The Finance Law for 2003 (Article 89) introduces contributions of Euro 150 for digital equipments purchase and of Euro 75 for ADSL technologies.

The most significant actions taken in the last year in the framework of the strategy to improve Italy's position in the digital era have been:

- Digital Public Administration. A joint plan with all departments has been developed setting quantitative targets, including on-line services

⁽³⁹⁾ Data from Osservatorio FEDERCOMIN on the ICT market (No. 5, September 2002).

⁽⁴⁰⁾ Internet users are defined as persons who linked up at least once in the last quarter of the year, net of double counting due to the use of more than one access point.

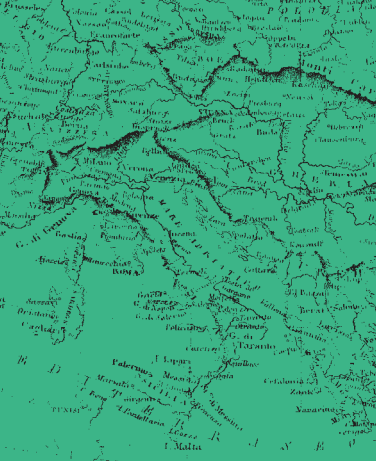
⁽⁴¹⁾ Including ADSL and optical fiber cable links. The estimates are given in Osservatorio FEDERCOMIN, op. cit.



to citizens and businesses, Public Administration efficiency, optimal use of human resources, transparency, and citizen satisfaction. The Finance Law for 2003 empowers the Minister for Innovation to address all ICT investments in order to improve the efficiency of the public sector services.

- Efficient federalism. An innovative program to accelerate local authorities' e-government plans has been undertaken, using the "leverage" provided by co-financing of the projects best corresponding to the guidelines issued by the Ministry for Innovation and Technologies, using 250 million Euro from the UMTS fund. All the regions, all the provinces, 242 mountain communities, and 3,100 municipalities have participated, confirming that the method enjoys consensus and has produced a good response.
- The National Citizen's Portal, *Italia.gov.it*. This went operational on 2 June, offering quick and easy "navigation" through the complex mechanism of the public administration. It uses the most modern techniques of access for persons with difficulties. The portal registers thousands of visitors every day and is steadily evolving and expanding.
- The electronic identity card. The first phase of this project has been completed and the second begun. The goal is to issue 1.5 million electronic ID cards in 2003 and to distribute them to the entire population within five or six years. The card will be not just an identity document for presentation but also the sole instrument for the digital recognition needed for access to the on-line services of all central and local government units. Pending the extension of the cards to the entire population, a "National Service Card" has been developed to allow use of on-line public services.
- The digital signature. To make electronic transactions and on-line public services more secure the digital signature has been perfected and disseminated. In February 2002 the EU directive on electronic signatures was transposed into Italian law, and Italy is one of the European leaders in this field, with a total of 500,000 digital signatures already registered.⁽⁴²⁾ In addition, a plan has been initiated within the public administration for the distribution of at least 20,000 digital signatures for internal communications.
- Social action for the disadvantaged. Major interministerial initiatives have been taken for the full integration of individuals in disadvantaged

⁽⁴²⁾ Legislative Decree 10 of 15 February 2002 transposing into law the Directive 1999/93/EC.



groups (the old, the disabled) into the process of modernisation as well as for the protection of minors against undesired Internet access.

- Government's Guidelines for the development of the Information Society for the duration of the legislature. For the first time, a strategy paper has been prepared in agreement with all the government departments for the digital modernisation of the Public Administration and the entire country.
- Project "PC for youth". The Finance Law for 2003 (Article 27) introduces a fund to subsidise the purchase of ICT equipments by young people over 16.

ICT to modernise the national accounting process

As part of the modernisation of government, the Ministry of the Economy has initiated a programme to computerise the national accounting procedures and processes, adopting ICT models. Implementation and management of the computerisation programme is entrusted to CONSIP S.p.A. Thanks to this programme, government now has available a unique tool for accounting and expenditure management. The aim is to harmonise and aggregate the data supplied by various government departments and units to facilitate analysis and forecasting. Another benefit will be the possibility of electronic payment procedures (the computerised payment order). These procedures have already been integrated with the national network of banking services and will make it possible to streamline and speed up payments, as well as to monitor them. In the future, the linkage of government departments with the Treasury's information system for accounting and expenditure management will enable them to become operationally independent, while the payment process will be completely digitalised.



II.B. THE CAPITAL MARKET AND FINANCIAL SERVICES

The legal and administrative framework

The reform of regulations governing financial services, intermediaries and markets, introduced by the Consolidated Law on Financial Intermediation (Legislative Decree 58 of 24 February 1998) and its implementing regulations, continued in the course of 2002. Further integration of the Italian with the European market and with the broader global market was achieved by the progressive advance of EU commitments to realise the single market in financial services.

Parliament agrees on the need for constant adaptation of regulations as the Italian, EU and global financial markets evolve and has begun a study to determine the optimal safeguards for all the interests involved. Financial legislation, always inspired by the principles of the European Union, must ensure the best interests of investors and issuers in a framework of certain rules for market participants.

- Payment systems. The adaptation of Italian regulations to the Community framework was completed with the issue of implementing provisions by the Bank of Italy in agreement with Consob.⁽⁴³⁾
- Collateral and financial guarantees. Transposition of the European directive is expected in 2003.⁽⁴⁴⁾
- Market abuse. The poor effectiveness of European rules on the abuse of reserved information, the need to harmonise the rules on market manipulation, the international dimension of the phenomenon and the competition with non-EU financial systems led the Commission to propose a directive on market abuse (30 May 2001). The directive has been approved (3 December 2002) and it is certainly a significant point of reference both for the importance of the matters treated and for the expected use of the simplified procedure under the “Lamfalussy Report” principles.
- Supplementary pension plans. The discussion on the proposal for the European directive on pension funds is in the final phase.
- Investment services. The Commission has begun work on revision of the investment services directive (ISD). The key point in the revision proposal, as regards market rules, is the elimination of Member States’

⁽⁴³⁾ Legislative Decree 210 of 12 April 2001 had transposed Directive 98/26/EC on settlement finality into Italian law.

⁽⁴⁴⁾ Parliament and Council Directive 2002/47/EC of 6 June 2002 on collateral and financial guarantee contracts advanced beyond the achievements of the settlement finality directive (98/26/EC).



power to require that securities trading be conducted in regulated markets. The proposal also envisages pre-trade and post-trade transparency on quotes, prices and volumes both for markets and for intermediaries authorised to engage in in-house crossing of customer orders (internalisation of trading). Another important feature of the proposal is the rules governing trading systems other than regulated markets, namely Multilateral Trading Facilities (MTFs) operated by intermediaries, which are subjected to rules similar to those on regulated markets.

- Listing and issue prospectuses. Work is proceeding at Community level towards a directive on prospectuses for stock exchange listing and public securities offerings. Here too the simplified procedure set forth in the "Lamfalussy Report" is being followed. The proposal seeks to overcome the difficulties that the mutual recognition procedure causes for issuers. Specifically, the directive would enable them to use the prospectus approved in their home country in all the other Member Countries simply by notifying the host country authorities.
- Company law reform. At the end of 2001 the Ministry of Justice formed a committee of experts to draft the legislative decrees implementing Law 366 of 3 October 2001, the enabling act empowering the Government to enact "reform of company law." So far the legislative decree revising corporate crimes has been issued, and on 30 September the Council of Ministers approved the texts of two more legislative decrees, modifying the Civil Code and the Code of Civil Procedure, which will complete implementation of the reform plan. The two texts are now before the Chamber of Deputies. The reform is expected to go into effect early in 2003.

The organisation of limited companies is radically revised, with the provision of a choice between three different management and control models. Also profoundly altered is the financial structure, in view of the wide-ranging independent powers attributed to corporate by-laws to determine the content of shareholding, and of non-equity financial instruments. Further important innovations concern conflicts of interest for directors and top managers, for which stricter rules have been proposed, and corporate groups, with provision for disclosure of membership in a group, public statement of the reasons for the decisions of the board of directors of a company subject to group control, if those decisions are influenced by the parent company, and the setting of limits on how far it is legitimate to pursue the interests of the group.



The rules on limited liability partnerships, centering of the person of the partner, allow broad statutory autonomy in determining organisation, as long as the principle of certainty in relations with third parties is respected.

As for listed companies in particular, the reform supplements the rules laid down in the Consolidated Law on Financial Intermediation, only as concerns corporate information requirements, ownership arrangements, protection for minority shareholders, boards of auditors and outside auditing. The new rules also extend some regulatory principles derived from the Consolidated Law to companies that although not listed nevertheless make resort to capital markets, thus reducing the disparity of treatment between the latter and listed companies. The code of conduct for listed companies was also revised in 2002, with the introduction of a broader notion of independence of non-executive directors and the provision that such independence must be regularly assessed by the Board of Directors. It is also laid down that the Board of Directors shall be responsible for the system of internal controls, assisted by an audit committee a majority of whose members must be independent directors.

- **Indipendence of audit societies.** Following the widely reported financial vicissitudes of a number of large US corporations, the Ministry for the Economy and Finance formed a study committee to inquire into the suitability of Italian regulations for giving markets a truthful representation of the economic, financial, and equity situation of listed companies, such as to provide advance warning of crisis situations and devise the necessary correctives. The committee dwelt in particular on the independence of outside auditors, the reliability of financial analysts, disclosure to the market, conflicts of interest for directors and top managers. It examined primary and secondary Italian legislation, considering the impact of the reform of company law now nearing completion. Finally, the committee made several recommendations, bearing principally on reinforcing the independence of outside auditors, limits on the provision by auditing firms of services other than auditing to the companies they audit or members of those companies' groups, disclosure of compensation, and oversight of the quality of auditing.
- **Take-over bids.** On 2 October the EU Commission presented a new proposal for a directive on take-over bids. Among the most important innovations of the proposal – which if enacted will require Italy to revise its regulations – we should note the introduction of a



definition of the price at which the subsequent, compulsory bid must be made, namely the price paid for the change in control. The possible effects on the financial structure of limited companies is being studied, as are those of the alternative instruments for separate of ownership and control envisaged by the proposal, such as the neutralisation of some corporate provisions limiting the exercise of voting rights with respect to equity held.

- Real estate funds. In 2002 the rules on real estate investment funds, now being examined by the State Council, were drafted.
- Disclosure of statistics on listed securities. The requirements concerning disclosure of studies and statistics on listed securities were modified. There is provision for deferring their release to the public for three months. However, when such studies are the object of rumors that may alter the ordinary course of trading, this provision is suspended and the information must be made available immediately. ⁽⁴⁵⁾
- Conflicts of interest. Conflicts of interest within listed companies were dealt with, with the introduction of market disclosure requirements of transactions with related parties when, owing to their object, size, mode or timing, such transactions may have repercussions on the firm's equity or on the completeness and correctness of information. ⁽⁴⁶⁾

Financial market developments

The secondary market in government securities

Italy's secondary government securities market is a structured exchange operated by MTS S.p.A. Structurally, functionally, and technologically, MTS S.p.A. has made the system complete and efficient, both as regards trading and as regards settlement. Technical adaptations in the course of the year have improved its functioning, in response to the requests of market operators, and enabled the market to maintain its large trading volume.

Total turnover on the spot market in 2001 came to 2,325 billion Euro. Treasury bonds (BTPs) accounted for 68.9 percent of this turnover, credit certificates (CCTs) for 19.7 percent, zero coupon certificates (CTZs) for 7 percent, and Treasury bills (BOTs) for 2.8 percent. Average daily turnover came to 9.1 billion Euro. Yearly turnover on the repo market was about 7 trillion Euro, with a daily average of 28 billion Euro.

⁽⁴⁵⁾ In the course of its annual review, CONSOB revised its regulations implementing the Consolidated Law on Financial Intermediation.

⁽⁴⁶⁾ Again, this form part of CONSOB's revision of its Consolidated Law implementing regulations.



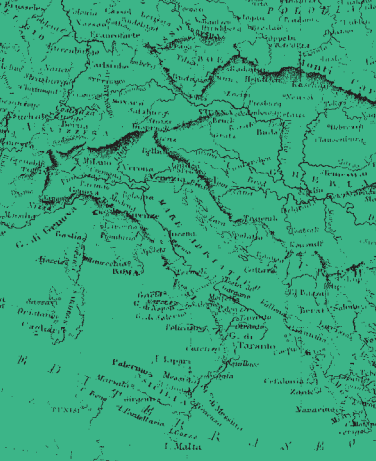
Market members at the end of 2001 numbered 175, including 28 primary dealers. The latter's contribution to liquidity was considerable; in fact, they accounted for over 80 percent of overall volume.

MTS Italia has formed sister companies in other countries, creating the MTS Group offering trading services in France, Germany, Finland, Ireland and Spain. MTS is active in the design and introduction of new types of trading service, and the range and quality of those offered has increased. One of the most significant and successful new initiatives is certainly Bondvision, launched in the second half of 2001. This is a regulated market conducted via Internet, linking banks to asset management companies and insurance companies through a competitive bid procedure. Essentially, this is the only bond market in Europe that combines the Internet with a wholesale financial market subject to the supervision of the competent authorities. This permits the extension of on-line securities distribution. At the end of 2001 Bondvision had 23 market makers and over 30 dealers.

New segmentation of the screen-based equity market

Important changes in the structure of the share market were made in 2001. To take advantage of the specific characteristics of the Italian economy, with its huge number of small and medium-sized enterprises, the screen-based market introduced a new segmentation based on capitalisation of the main share of the company concerned. The blue chip segment is now reserved to companies with over 800 million Euro in capitalisation. The ordinary exchange and the High Requirement Security Segment (*Segmento Titoli Alti Requisiti*, or STAR) are designed for small and medium-sized companies. Those in the STAR segment are subject to stricter organisational requirements, they must name a specialised dealer, and they are also subject to stiffer disclosure requirements to the benefit of the market.

Borsa Italiana S.p.A. introduced the required that listed firms report publicly on transactions effected by directors, auditors, CEOs and all other persons whose position gives them access to reserved information that may affect the prices of listed instruments issued by the company or its subsidiaries. New regulations were introduced requiring listed companies to adopt a code of conduct entailing binding rules governing the flow of information from significant officers to the company and to inform the market of the transactions reported by those persons.



The creation of the new screen-based market in investment funds (*Mercato Telematico dei Fondi*) for undertakings for the collective investment in transferable securities has widened the range of instruments traded on the stock market with the introduction of exchange-traded funds, a special category of open-end funds.

The market in derivative instruments (IDEM)

Early in 2002 the market in derivatives migrated to a more advanced, efficient, powerful trading platform. The definition of market makers was specified, distinguishing between primary market makers, who continuously supply liquidity during market sessions, and market makers, who supply incremental liquidity to the market following other operators' requests for quotes. Some changes were made in the stop order procedure and the order entry function for market makers and other members. Futures contracts on individual equities listed on the Stock Exchange or the *Nuovo Mercato* can now be traded on IDEM.

Venture capital investment

In 2001 Italian venture capital investment suffered its first contraction after a long period of growth. According to AIFI, the Italian Association of Institutional Venture Capital Investors, the volume of investment came to 2,185 million Euro, representing a decline of 26 percent compared with the previous year. The funds were invested in 489 operations involving a total of 364 firms. Even so, the contraction in Italy was less pronounced than the European average, and in fact the volume of venture investment held above the level registered in 1999. Another important positive sign was the increase in the number of operators in 2001, which indicates that the development of the market has certainly not halted.

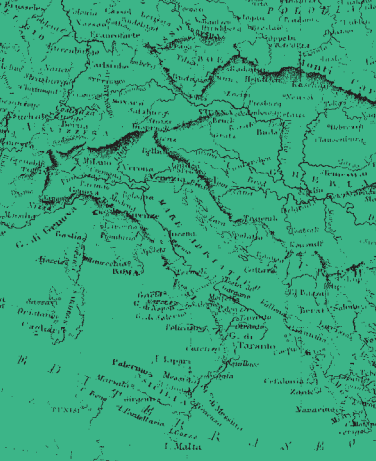
By type of operation, most of the funds went into buy-outs, which accounted for 1,014 million Euro or 47 percent of the total, and into expansion projects, which drew 745 million Euro, or 34 percent. By number, however, early-stage investments (seed and start-up) clearly predominated, with 222 operations, followed by 186 expansion investments.

Comparing this distribution of investments with the pattern registered in 2000, we find a decline in the importance of early stage



funding and an increase in the incidence of investments in more mature firms. This tendency subsequently strengthened further, even though in the first half of 2002 the market displayed significant signs of recovery. Between January and June 2002 there was total investment, by investors operating in Italy, of 1,080 million Euro, 60 percent more than in the first half of 2001; however, the number of operations contracted sharply, from 295 to 148 (distributed among 132 different firms). There was an appreciable increase in buy-outs in both number and amount of funds, while early stage investments declined further numbering 32, compared with 160 in the first half of 2001, worth just 44 million Euro.

Despite the overall setting of international contraction, the Italian venture capital market appears to have responded well to several recent regulatory changes, such as the enactment of the implementing rules for the Consolidated Law on Financial Intermediation governing Italian closed-end investment funds and the major changes effected by the company law reform, such as recognition of the legitimacy of leveraged buy-outs.



II.C. OTHER REFORMS AFFECTING PRODUCT AND CAPITAL MARKETS

Recent progress in Regulatory Impact Analysis

The first phase of experimentation with Regulatory Impact Analysis (RIA) was concluded in 2001, having analysed several concrete cases deemed to be of substantial interest to the firms involved. In the experiments, the licenses called for by the previous rules were replaced by a simple notification of initiation of activity, with economic benefits to the firms and organisational benefits for the government administrations involved. ⁽⁴⁷⁾

Over the next six months the Government increased the number of experimental cases, extended the range of training programmes for public employees, and fostered the institution of a service assigned to apply RIA. ⁽⁴⁸⁾

Developments in public-private partnerships

To improve the national infrastructural endowment, the Government has formed *Infrastrutture S.p.A.*, a corporation whose purpose is to foster the greatest possible involvement of private capital in the realisation and management of major public infrastructural works, principally through long-term financing. ⁽⁴⁹⁾

With the creation of *Infrastrutture S.p.A.* Italy acquires a financial intermediary comparable to those long present in other European countries, to employ project financing techniques involving:

- the concentration and subsequent development, within *Infrastrutture S.p.A.*, of specialised skills in project evaluation. These skills will be complementary to those that the banking industry is developing and thus accelerate the general propensity of the system to move towards project financing;
- complementing and stimulating private investment;
- availability of long-term finance to complement the shorter-term lending typically provided by private banks.

In this way the new corporation intends to respond both to the market and to public exigencies, instituting a virtuous circle between

⁽⁴⁷⁾ In accordance with the Prime Minister's decree of 27 March 2000.

⁽⁴⁸⁾ Prime Minister Directive of September 2001, after Law 137 of 6 July 2002.

⁽⁴⁹⁾ Under the guidelines laid down in Article 47 of the Finance Law for 2002.



private sector entrepreneurial purposes and the public sector objectives of development and efficiency. In particular, *Infrastrutture S.p.A.* will directly or indirectly supply financial resources complementary to those made available by the private sector, offering loans and guarantees in forms not now found in the market on economical terms, such as:

- long-term financing;
- fixed-term loans at various maturities.

Private sector investors will continue to evaluate the financial viability of projects, but they will now be able to consider also the sources of financing that *Infrastrutture S.p.A.* can make available.



III. SUPPLEMENTS

A. - Follow-up to the country-specific recommendations included in the broad economic policy guidelines for 2002

B. - Measures and policies to reduce early retirement



III.A. FOLLOW-UP TO THE COUNTRY-SPECIFIC RECOMMENDATIONS INCLUDED IN THE BROAD ECONOMIC POLICY GUIDELINES FOR 2002

The EU Commission's Broad Economic Policy Guideline recommendations for 2002 were directed to improving Italy's economic performance by encouraging the transition to the information society and foster competition in product markets.

Research and development and the information society

An increase in private investment in research was pursued through the full operation of the reorganisation of industrial research subsidy programmes run by the Ministry of Education, University and Research (MIUR) enacted in 1999. The new rules are designed to sustain projects for the definition of new products and processes through acquisition of new scientific and technological knowledge with positive effects in the short to medium term. ⁽⁵⁰⁾

The traditional activity of screening the R&D and training projects presented by industrial firms was particularly intensive. In 2002 alone the Ministry, working through the laws providing for support to national industrial research, awarded grants for 187 projects with a total cost of 480 million Euro; the grants amounted to 347 million Euro. New instruments were used for the first time: spin-off from public research and negotiated planning projects with local authorities. As for the creation of new enterprises, interesting developments took place within the academic community, and the Ministry favoured the birth of 8 new enterprises as spin-offs from university research. Negotiated planning involved substantial initiatives for the promotion, development and support of high-tech industrial districts.

At the end of 2001 the Ministry issued a call for research and training projects for the South of Italy. In July 2002 it selected 85 projects costing a total of 520 million Euro and awarded funding of 366 million Euro; of this, 303 million Euro went for research and 63 million Euro for training activities, providing employment for about a thousand new researchers. In the framework of the initiatives for the South, in August 2002 MIUR

⁽⁵⁰⁾ Legislative Decree 297 of 27 July 1999, enacting "Reorganisation of the rules and streamlining of procedures for support to scientific and technological research, for the dissemination of technologies and for the mobility of researchers".



assigned funds for advanced training activities. The Ministry co-financed 176 master's courses and 123 programmes reserved for women. Overall, the projects will award some 5,000 scholarships, at a total cost to the Ministry of 250 million Euro.

These initiatives aimed at the research sector proper are complemented by the measures contained in the general school reform bill now before Parliament, which lays down general rules on education. The law introduces a number of innovative principles ⁽⁵¹⁾:

- 1) Education and vocational training, in their various forms, are combined in the "educational and training system". This single system guarantees the national validity of degrees and their acceptance at both Italian and European level. Compulsory school attendance is reformulated as a right-cum-duty: no citizen can leave the system without a degree that is useful for insertion into the world of work or before the age of 18.
- 2) The education system is organised into two cycles. This first is constituted by elementary and junior high school, the second by academic high schools and vocational training institutions. Education is thus structured into a two-track system, with parallel courses of equal dignity, each with its own identity and aims. Throughout their respective courses, appropriate procedures ensure that students always have the possibility of moving from one track to the other, so that they can constantly review and remodulate their educational and training choices as a function of their interests and objectives.
- 3) Alternation between school and work is introduced, in order to make educational use of the great training potential to be found in the business world, in public and private enterprises.
- 4) A structure for systematic national evaluation is introduced, with recurrent testing throughout the courses of instruction up to the State examinations.

In the course of 2002 Italian universities were heavily engaged in the process of revision of university degree programmes. ⁽⁵²⁾

The Government has initiated a wide-ranging strategy to improve Italy's position in the digital era, modernising the country through

⁽⁵¹⁾ The school reform bill is Bill 1306, "Enabling act empowering the Government to lay down general rules on education and on essential levels of educational and vocational training services".

⁽⁵²⁾ Provided for by Law 127/1997 and Ministerial Decree 509/1999.



broad use of the new information and communications technologies in both the private and the public sector, enhancing Italian competitiveness by speeding up the advent of the network economy and developing a model of Information Society based on innovation and knowledge.

In the framework of this strategy, during the last year a series of actions have been begun, most notably: the provision of public services on-line; the acceleration of local e-Government plans; the National Citizens' Portal; the issue of electronic ID cards for the entire population; the finalisation and diffusion of digital signatures; e-Procurement; the development and diffusion of broadband communications technology.

The Finance Law for 2003 also contains provisions relating to technological innovation. First, it institutes a fund for technological innovation projects in government and in the country, with an endowment of 100 million Euro for 2003. To hasten the spread of the electronic ID card, the bill also provides that departments and government units themselves can procure the needed funds through conventions with banks, by using project financing. Finally, the Minister for Innovation and Technologies is granted a series of powers for guidelines, for planning, evaluation and coordination, to improve the effectiveness of public expenditure on ICT and to direct this investment according to a coordinated, integrated strategy.

The product market

The BPEGs for 2002 point out the need to increase competition in the service sector, particularly in professional services, to implement all necessary reforms to complete the opening of the energy sector in order to allow the pass-on of the benefits of liberalisation to final users, to ease the administrative burden on firms, and to continue reducing Italy's deficit in the transposition of European directives.

The reform of professional services

As regards professional services, Italy must redefine regulatory and competitive arrangements. A key role in the new regulatory scene will be played by recognition that citizens' interests are safeguarded by providing services at an appropriate price and of certain quality. In this area, professional associations perform an essential function.



Their duties include prior evaluation of the capacity of the professional to exercise the profession and, in the framework of existing rules, the definition of a set of “reference parameters” governing professional fees.

The new system of regulation is now under discussion before the parliament. The fundamental features of the new rules are:

- minimum tariffs (to guarantee service quality) to be set by the Ministry of Justice based on proposals by ad hoc committees including representatives of the professional associations;
- permission for professionals to advertise their services;
- compulsory insurance against the risks of practicing the profession;
- the possibility of forming professional partnerships, excluding shareholders ; the responsibility of the individual professional remains specifically indicated, but joint and several responsibility of the partnership with the individual professional is added;
- finally, the bill provides for the constitution of a register for the recognition of free associations of persons performing unregulated professional activities.

The energy sector

In the electricity industry consolidation of the regulatory framework for the completion of liberalisation continued. The measures taken are designed both to foster competition and to adapt the structural and regulatory framework. Constitutional reform has modified the assignment of powers in the energy field, extending the jurisdiction of the regional governments. ⁽⁵³⁾ The regions have been assigned concurrent legislative powers, and the production and distribution of energy at regional level is now under the exclusive jurisdiction of the regions.

Electricity prices, which diminished in the first four months of 2002 before rising again, sometimes substantially, in the next two-month billing periods (May-June and July-August), are expected to register an average decline of 1.5 percent. The 1.7 percent increase planned for September-October, which was suspended by a Government decree-law, should be at least partly offset by the expected reduction in November-December. The mechanism for the progressive convergence of D2 and D3 tariff rates on the D1 rate for households was extended to 2003, as the

⁽⁵³⁾ The amendment of Title V of the Constitution, begun with Constitutional Law 3 of 18 October 2001.



Electricity and Gas Authority has not yet established the price rules for needy households.

The Decree-Law 193/2002 freezing the tariffs for the public services specified in Law 481/1995, provided that until additional criteria with regard to those of Law 481 are adopted, by 30 November 2002, the tariffs shall be those in effect prior to 1st August.

The changes in mechanism for calculating tariffs adopted by the Electricity and Gas Authority at the end of November meant that tariffs would remain unchanged until the end of December.

The instructions for the operation of the electricity power exchange, whose launch is scheduled for early 2003, were finalised in 2002, and the decree approving them is in course of issue.

Greater competition on the supply side will be achieved with the sale of three generating companies constituted by ENEL. In March 2002, the procedures for the disposal of Eurogen were completed, with the company's transfer to the Edipower consortium led by Edison, for a final price of 3.7 billion Euro. ⁽⁵⁴⁾

As the final procedures for the Eurogen sale were completed, preliminaries for the disposal of Interpower, the smallest of the Gencos (2,700 MW) were begun. ENEL sold this generating company to a consortium consisting of ACEA, Elettrabel and Energia Italiana in November 2002 for 874 million Euro. Following the complete spun-off of ENELs 15 GW of generating capacities the consumption threshold for entering the free market will be lowered to 0,1 Gwh. The Electricity and Gas Authority has recently defined the conditions for the assignment of transmission capacity on the interconnection between Italy and neighbouring countries. ⁽⁵⁵⁾ The procedures for assignment of capacity on Italy's northwest border were agreed to with the French Commission de Régulation de l'Electricité and will be applied jointly by the two transmission grid operators (GRTN for Italy, RTE for France). This creates Europe's first area for free trade in electricity. A further contribution to containing electricity prices for firms was the allocation via auction of the power generated by renewable-source plants (CIP6).

⁽⁵⁴⁾ The Edipower consortium comprises Edison (40 percent), AEM Milan (13.4 percent), AEM Turin (13.3 percent) ATEL (13.3 percent), Unicredito Italiano (10 percent), Interbanca (5 percent), and Royal Bank of Scotland (5 percent).

⁽⁵⁵⁾ Resolution 301/2001 of the Energy and Gas Authority.



The Council of Ministers has recently approved a bill which foresees the reunification of ownership and operation of the transmission network under a single listed company and the regulatory simplification to realise the required links between the existing power grid and the new generating plants. ⁽⁵⁶⁾

The bill also lowers the threshold for eligibility thus including all industrial users. This would increase the demand in this segment. This will contribute to a widening of the demand, which in April 2002 amounted to about 1,400 eligible customers and 10,600 usage sites, equal to 44 percent of total demand.

In the gas sector the Government issued a decree laying down the requirements and procedures for authorisation to sell gas to final customers. ⁽⁵⁷⁾ So far 600 applications were received scheduled to be examined by the end of November. The start of tenders for assignment of the distribution service depends on completion of the reform of local public services.

In line with the indications expressed by the Government in the recent Economic and Financial Planning Document, the Authority refined the regulations governing the natural gas industry, designing a system of guarantees for free access to the gas pipeline network. ⁽⁵⁸⁾ The deliberation, which also contains the rules for defining the network code, establishes the criteria governing priority of access to gas under “take or pay” contracts. ⁽⁵⁹⁾ From the standpoint of non-discriminatory access to the network, after the split-off of Snam Rete Gas from ENI, 24 users (producers, wholesalers, final customers) have been given access to the transport network.

The Government has recently set the rules governing the assignment of transport capacity to companies investing in these infrastructures. It also calls for initiatives to create new supply infrastructures. ⁽⁶⁰⁾ As for storage, ENI, following the regulations imposing corporate separation, divested AGIP of its storage activities by forming a new company, STOGIT. AGIP, which remains the corporation's exploration and research company, has been transformed into a division of ENI. To increase Italy's storage capacity, the Ministry for Productive Activities has selected a number of gas deposits suitable

⁽⁵⁶⁾ The bill has been approved by the Government on September 2002 and it is currently under discussion before the Parliament.

⁽⁵⁷⁾ Decree of Ministry for Productive Activities, issued on June 2002.

⁽⁵⁸⁾ Resolution 137/2002, issued on 17 July.

⁽⁵⁹⁾ In case of congestion, pro rata assignment is provided for.

⁽⁶⁰⁾ Law 273/02, “Measures to favour the private initiative and the competition development” (Article 27).



for conversion into storage facilities and assigned them through competitive procedures.

In February 2002 the Authority set the charges for storage activity.

Reduction of administrative burden on firms

The administrative burden on firms has been further reduced. The regulatory and procedural simplification achieved so far has affected more than a hundred different procedures, to the benefit of citizens, firms and government administration.

Projects for the development of one-stop offices for firms have been funded, to create a unified system of services to businesses. The latest estimates indicate that the projects funded should raise the share of municipalities with one-stop offices in operation and/or constituted from 48.7 percent in January 2001 to 62.7 percent by the end of 2002; the population so served would rise from 68.6 to 79.5 percent.

Transposition of European directives

The process of improvement of the legal framework continues to encounter obstacles, consisting in the failure to increase the degree of transposition of Community rules. After significantly reducing the number of untransposed directives, Italy showed a deterioration in the last Single Market Evaluation Framework, its transposition deficit rising from 1.7 percent in November 2001 to 2.6 percent in November 2002. This is mainly due to a rise in the number of directives awaiting transposition, from 0 in May to 12 in November.

As for infraction proceedings, their number is growing throughout the Union. France and Italy remain the countries with the largest number in course. Nevertheless, the number of proceedings before the Commission regarding Italy has been reduced (from 193 in February 2002 to 190 in August).



III.B. MEASURES AND POLICIES TO REDUCE EARLY RETIREMENT

The steady increase in the life expectancy of the population that has marked the last few decades (and that will continue in the coming years) has made economic measures to lengthen working careers more and more urgent. The objective is twofold: safeguarding the quality of life by strengthening economic independence as well as safeguarding the financial soundness of the pension system.

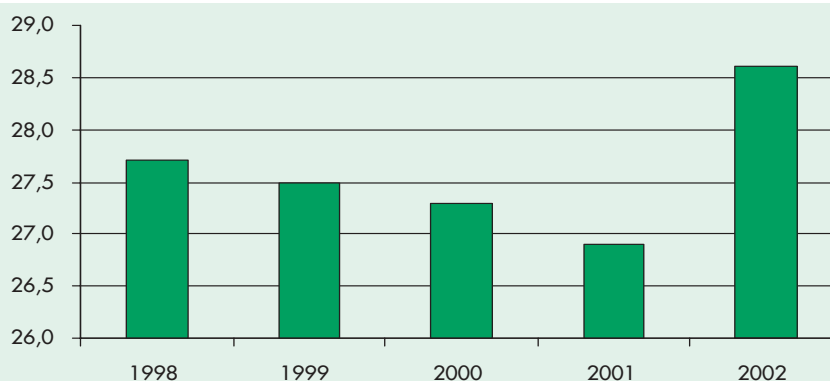
Attainment of this objective depends strictly on the choices of persons between 55 and 64 years old, most of whom already meet the minimum pension requirements and must decide whether to keep working or retire.

The employment rate in the population aged 55-64

According to Eurostat surveys, in 2001 Italy was next to last in Europe with an employment rate of people aged 55-64 of 28 percent, compared with a European average of 38.5 percent. In the three surveys run in 2002, the same rate averaged 28.7 percent, presumably reflecting the positive effects of the pension reforms enacted in the 1990s and of more recent labour market measures. Nevertheless, Italy is still far from the 50 percent rate adopted by the Lisbon and Stockholm European Councils as the target level the EU should reach by 2010, as part of the more general programme to bring the overall employment rate to 70 percent by 2010.

The 2002 Action Plan for Employment adopts the EU indication, setting the target of a 40 percent employment rate for 55-64-year-olds by 2005, to be attained by measures affecting both the pension system and the labour market. To achieve this target Italy would have to raise the employment rate for that age group by 12 points compared with 2001.

Employment rate of population aged 55-64, Istat labor force survey, April 2002



Source: National Strategy Report on Pension (2002)



The average age at which people definitively stop working and the average age at retirement

The Barcelona European Council concurred on the objective of raising the average age at which people definitively stop working by five years by 2010. In Italy, the average age was 59.4 years in 2001 (59.1 for men and 60.4 for women). In 1997, it had been 57.4 (57.4 for men, 57.1 for women), according to Ministry of Labour calculations based on Istat data.

Using an analysis by quartiles, it is possible to see that between 1994 and 2001 the greatest rise in the average age at which people definitively stop working happened in the youngest quartile (1 year for men, 3.3 for women, 1.7 overall). Again, this was presumably the effect of the pension reforms of the 1990s.

Narrowing the examination to private sector workers and the social security pensions of INPS, the average age at retirement in 2001 was 57.8 years for men and 58.4 years for women. By type of pension, the average retirement age for old age pensions was 64.8 for men and 60.1 for women, while for seniority pensions it was 56.5 and 55.3 respectively.

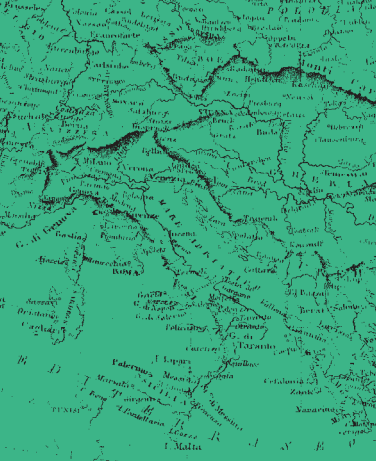
Average age at which employees in private sector effectively retire												
	1994			1997			2000			2001		
	M	F	Total	M	F	Total	M	F	Total	M	F	Total
<u>Seniority</u>	56,3	53,5	55,8	56,1	54,0	55,8	57,3	55,6	57,0	56,5	55,3	56,3
<u>Old age</u>	62,4	58,3	60,2	64,0	59,7	61,5	64,6	60,1	61,9	64,8	60,1	61,6
<u>Disability</u>	50,7	49,4	50,3	51,1	49,0	50,5	51,2	49,2	50,6	51,0	49,2	50,5
<u>Overall total</u>	57,2	56,2	56,9	56,8	56,9	56,8	57,8	57,6	57,7	57,8	58,4	58,1

Source: National Strategy Report on Pensions (2002)

Past and ongoing reforms

Increasing the length of work careers was one of the aims of all the pension system measures of the past decade. In the next few years these pension policies could be complemented and strengthened by the design and enactment of innovative labour policies, aimed at increasing the number of older workers, keeping them at work or bringing them back into the job market. ⁽⁶¹⁾ Very substantial progress

⁽⁶¹⁾ See the White Paper on the Labour Market in Italy, October 2001, the "Pact for Italy" of May 2002, and the Enabling Bill on Employment and the Labour Market now before Parliament.



is possible in this area, considering for example that in 2001 Italy was second only to Greece in the low percentage of people aged 55-64 with part-time jobs (8 percent). Policies making part-time work easier would create a gradual exit path from the labour market and so increase the employment rate of people who have already matured the eligibility requirements to retire.

The reforms of the 1990s and the gradual transition to a contributions-based system

The social security reforms of the 1990s and Italy's gradual transition, beginning in 1995, from the earnings-based to the contributions-based system have introduced higher minimum eligibility requirements to retire. As far as old-age pensions are concerned, the required age to retire was raised from 60 in 1993 to 65 in 2000 for men, and from 55 to 60 for women.

As far as seniority pensions are concerned, requirements in 2002 were 37 years of contributions or 35 years of contributions with 57 years of age. The eligibility requirement based solely on years of service will be gradually increased until 2008, when seniority pensions will be available only with at least 40 years of contributions. The combined age-seniority requirement is foreseen remain at 35 and 57 years.

With the new rules, the average retirement age of employees fulfilling requirements for an old-age pension rose by four years between 1993 and 2001; that of employees fulfilling requirements for a seniority pension rose by two years in the same period. The increase was even more significant for the average retirement age of the self-employed: four-and-a-half years for farmers, nearly three years for artisans, five years for shopkeepers.

The effects of the reforms are expected to continue, indeed to intensify, in the years to come, thus helping to achieve the employment target for the 55-64 age group.

In the first phase of the transition from the earnings-based to the contributions-based system, positive effects will derive mainly from the introduction of stricter age and contribution requirements for seniority pension eligibility (the introduction of an age threshold in addition to the years-of-service criterion) and for old age pensions (the raising of the retirement age by five years), than were in effect in the early 1990s. As the contributions-based system is more fully



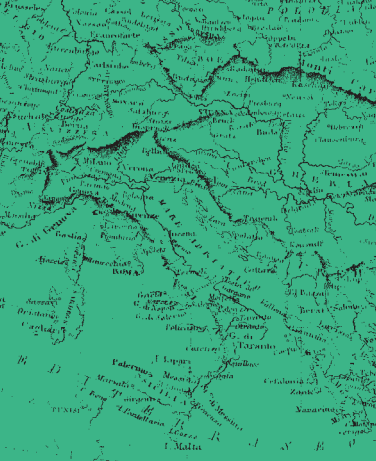
phased in, some structural characteristics that provide stronger incentives to stay at work, compared with the earnings-based system, will become more and more effective.

Whereas in the earnings-based system an extra year of work means an increase in the pension according to the system's accrual rate (2 percent) but the out-and-out loss of that year's pension income, under the contributions-based system staying on at work increases the annual pension but does not entail any loss. For under the contributions-based system, not only is the pension increased because the additional year of work means a larger contribution base (the contributions paid each year and their revaluation), but the conversion of that base into an annual income is "more generous", because it considers one less year of additional life expectancy. Moreover, the compounding formula governing the calculation of the contribution base implies that the pension increases exponentially with years of work and contributions this being a further incentive to keep working.

This difference in the functioning of the earnings-based and contributions-based system means that the latter offers greater incentives to keep on working: a greater increase both in the income replacement rate and in the current value of all future pensions as one defers retirement year by year.

For example, prolonging one's working life by five years, from 35 to 40 contribution years, would increase the income replacement rate by about 32 percent under the contributions-based system, compared with 14 percent under the earnings-based system. Furthermore, this same extension would increase the current value of all future pensions by 1.3 percent (on an annual basis) under the contributions-based system, compared with a decrease of 2 percent under the earnings-based one.

Presumably, then, the progressive phasing-in of the contributions-based system will have positive effects in terms of longer careers, further reinforcing the trend that has already been set in motion, as we have seen.



Change in the income replacement rate due to longer working life

	Replace rate		Total overall change	Average annual change	Total percentage change
	60 year age/ 35 year work/	65 year age/ 40 year work			
Earnings-based system	67,3	76,9	9,6	1,9	14,3
Contributions-based system	48,1	63,4	15,3	3,1	31,8

Source: National Strategy Report on Pensions (2002)

Percentage change in current value of future pension incomes

5 extra years of work	Total percentage change	Percentage change on an annual basis
Earnings-based system	-9.19 percent	-1.91 percent
Contributions-based system	6.93 percent	1.35 percent

Source: National Strategy Report on Pensions (2002)

Combining pensions with working incomes

The recent evolution of the rules on cumulability of pension with working income can be read as designed to encourage working to a later age, even by persons already receiving a pension. This way, the person who takes advantage of cumulability remains active, productive, forgoes a part of his monthly pension entitlement and continues to pay income tax and social contributions on his earnings. In fact, another purpose of the easing of the constraints on cumulability is to encourage the emersion of earnings that would otherwise form part of the underground economy, so levying income tax and social contributions on them.

Until 1999, there was an outright ban on cumulation between seniority pensions and employee incomes. Then, for retirees with at least 40 years of contributions, regardless of when the pension had been awarded, partial cumulability was introduced: labour income could be supplemented by the INPS minimum pension plus 50 percent of the amount of the pension above that minimum. ⁽⁶²⁾ At the same time, the possibility to fully combine pensions and self-employment incomes was allowed to retirees with at least 40 years of contributions at retirement. For pensions drawn by persons with fewer contribution years at

⁽⁶²⁾ Law 448/1998.



retirement, allowance was made for partial cumulation of pensions and self-employment incomes, in the measure of the INPS minimum pension plus 50 percent of the pension amount above that minimum.

As for old age pensions, until 1 January 2001 these were partly cumulable (to different extents depending on the year in which they had been awarded) both with employee and with self-employment incomes, up to the INPS minimum pension plus 50 percent of the pension entitlement above it. ⁽⁶³⁾

The Finance Bill for 2001, the most recent intervention about the possibility to combine pensions and working incomes, broadened this possibility for both seniority and old age pensions. ⁽⁶⁴⁾ Since 1 January 2001, it is possible to fully combine the old age pension with both employee incomes and self-employment incomes, regardless of the date of award. As of that same date, it is possible to fully combine the seniority pension with both employment incomes and self-employment incomes, if the retiree has at least 40 years of contributions, regardless of date of award. When the contribution years are fewer than 40, it is not possible at all to combine the pension with employee income, while the pension can be partly combined with self-employment incomes, up to the INPS minimum pension plus 70 percent of the pension amount above that minimum (the deduction cannot exceed 30 percent of the working income in any case, and the rule does not apply to pensions awarded before 1995).

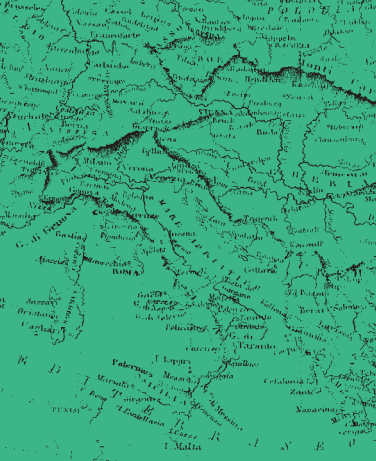
Finally, the present rules treat seniority pensions in the same way as old age pensions when the pensioner has reached the age at which the pension system fixes the age requirement to obtain the old age pension.

The changes introduced by the Finance Law for 2001 apply in all cases of pensions awarded under the earnings-based system or with the mixed system in effect during the transition period. For pensions totally under the contributions-based system, the rules are different. ⁽⁶⁵⁾ When the retiree is younger than 63, it is not possible to combine pensions and employee incomes, while there is only a partial possibility to combine self-employment incomes, with a deduction equal to 50 percent of the pension amount above the INPS minimum. For those older than 63, this partial possibility to combine is extended also to employment incomes, with the same deduction.

⁽⁶³⁾ Law 503/1992.

⁽⁶⁴⁾ Law 388/2000.

⁽⁶⁵⁾ Law 335/1995.



Thus, the broadening of the possibility to combine pension incomes with working incomes, aimed at fostering employment for persons aged 55 to 64 (and above), has been greater for pensions awarded under the earnings-based and the mixed system than for those awarded under the contributions-based one. This approach takes account of the different cost for the public budget of early retirements under the different systems. The contribution-based system adopts a close correlation between contributions paid in and benefit entitlements accrued, and automatically adjusts the annual pension amount to residual life expectancy. The approach also takes account of the fact that the contributions-based system already includes incentives to remain at work even without resorting to combination of pensions and working incomes.

This legislation has been integrated by the Finance law for 2003, as illustrated below.

The draft Enabling Acts on pension system and labour market

The draft Enabling Act on the pension system and the two draft enabling Acts on the labour market, all now before Parliament, have among other aims the raising of the employment rate of older workers.

The pension system Act has the following five strictly interrelated points, relevant to the lengthening of working lives and thus the raising of the average age at which people definitively stop working as well as the raising of the average age at retirement:

1. The possibility of issuing attestations of the pension entitlements accrued at a given date, so that even if the worker decides to continue working, he still retains the right to retire on the basis of the eligibility requirements in effect at the date of the attestation, regardless of any subsequent changes in the rules of the system. The purpose is to provide greater certainty for working people and thus prevent discussion of possible reforms from having destabilising repercussions on workers' behaviour.
2. The possibility for the worker who qualifies for the seniority or old age pension and wants to defer retirement to opt for a special tax and contribution regime with the following favourable features:
 - a) if he signs a fixed-term contract with his present employer for at least two years, both worker and employer are totally exempt from social contributions;
 - b) at least 50 percent of the contribution savings must go to the worker (and not just the employee's portion of contributions,



- equal to 8.89 percent of gross annual employment income , as already stated by the Finance Law for 2001);
- c) the working income of the fixed-term contract must be at least equal to what the previous working income;
 - d) the working income of the fixed term contract should be subject to a separate taxation, which is more favourable than normal personal income taxation (worker avoids marginal income tax and social contributions); moreover, an explicit provision should be foreseen that the contract may be renewed more than once, with the parties' agreement, and that the renewal may also be for just one year;
 - e) the social security position of the worker should be frozen, so that when the fixed-term contract expires, the worker gets the same pension benefits he would have had if he had not opted to continue working, increased by inflation indexation.
3. The complete liberalisation of retirement age, designed to permit voluntary extension of one's career with no age limit, possibly subsidising it through the special regime described at point 2.
4. The progressive removal of any normative obstacle to combine pensions and working incomes, along the lines already traced out by the Finance Law for 2001.
5. Finally, the adoption of a specific measure for the emersion of unreported working incomes of pensioners, along the same general lines already adopted for the emersion of unreported business incomes and working incomes. This measure involves a separate and alternative taxation of the incomes revealed, with the advantage of avoiding the marginal income tax bracket and social contribution, that is the same form of taxation applied to working incomes of the fixed-term contract described at point 2. ⁽⁶⁶⁾

The two Enabling Acts on the labour market may also have significant career-prolonging effects, increasing the employment rate of persons between 55 and 66 years old. Indeed, one should logically expect more substantial and quicker effects from the coordination of social security and labour market measures.

Among the purposes of the labour market Enabling Acts is the experimentation with new types of flexible, modular contracts that can be used by workers nearing retirement age who wish to keep working, but with a less demanding commitment than the jobs they have left. The

⁽⁶⁶⁾ Law 383/01.



creation and regulation of new contract forms (not just part-time but also project jobs and jobs on call) provides for options intermediate between the simple continuation of full-time work and out-and-out retirement. This broadens the range of possibilities for workers who intend to keep active but not to forgo other important goals.

The Finance Law for 2003

Finally, consistently with the purposes of the draft Enabling Act on pensions and pending its Parliamentary passage, the Finance Law for 2003 (Article 44) extends the possibility to fully combine seniority pensions and employee incomes or self-employment incomes, introduced by Law 338/2000 (Finance law for 2001), to all workers with at least 37 years of contributions and 58 years of age, as from 1 January 2003.

This measure uses the option to combine pensions and working incomes to provide incentives to prolong one's career, "rewarding" eligible pensioners who continue to work with broader limits to combine incomes. In this way, the lengthening of careers that it is possible to expect from the possibility of combining incomes will depend on the activity that the worker can actually engage in for a certain number of years as well as on decisions to work for more years with the explicit purpose to be entitled to more advantageous possibilities to combine incomes.



IV. STRUCTURAL INDICATORS



INDEX

STRUCTURAL INDICATORS OF PRODUCT MARKETS

Performance indicators - Functioning of markets

Table 1	Intra-EU and total trade	page 65
Table 2	Cross-border mergers and acquisitions	65
Table 3	Harmonised index of consumer price	66
Table 4	Level of labour productivity	66
Table 5	Profitability	67

Performance indicators - Network services

Table 6	Net electricity generation	68
Table 7	Electricity sales	68
Table 8	Market shares in gas sector	69
Table 9	Electricity prices for household	69
Table 10	Electricity prices for industrial users	69
Table 11	Gas prices for household	70
Table 12	Gas prices for industrial users	70
Table 13	Implementation of Galli Law (Law 36/1994)	70
Table 14	Water tariffs in some districts	71
Table 15	Price trend in postal services	71
Table 16	Markets shares of reserved postal services	71
Table 17	Telecom Italia charges: effects of the tariffs rebalancing	72
Table 18	Incumbent's telephone charges	72
Table 19	Telephone charges of major operators	73
Table 20	Tariff plans: comparison among major operators	74
Table 21	Competition in fixed and mobile telephony	75
Table 22	Revenues per line installed	75
Table 23	Charges for fixed and mobile telephony services	76
Table 24	Market shares in fixed and mobile telephony	76
Table 25	Medium and long-distance railway tariffs	76
Table 26	Regional railway tariffs	77
Table 27	Issue of railway licences	78

QUALITY OF SERVICE PROVIDED BY NETWORK INDUSTRIES

Table 28	Electricity: long unplanned outages in ENEL grid serving households	79
-----------------	---	----



Table 29	Electricity: long pre-announced outages in local providers networks	79
Table 30	Services standards under service charters and those set by the Authority in the electricity sector	80
Table 31	Automatic compensation for failure to meet specific quality standards for service provider's fault in the electricity sector	80
Table 32	Specific quality standards-natural gas distribution	80
Table 33	Complaints, information requests and reports received by the Authority	81
Table 34	Electricity: average time necessary for each kind of service	81
Table 35	Natural gas: average time necessary for each kind of service	81
Table 36	Quality of postal service	82
Table 37	Railway accidents	82
Table 38	Punctuality of passenger trains	83
Table 39	Local public services: efficiency indicators	83

ENVIRONMENTAL INDICATORS

Table 40	Activity of the Environmental Impact Assessment Committee	84
Table 41	Air pollution taxes, 2000	84

DISTRIBUTIVE SECTOR INDICATORS

Table 42	Commercial activities - new retail outlets in 2001 (by size)	84
Table 43	Commercial activities - new retail outlets in 2001 (by legal form)	85
Table 44	Profitability in the distribution sector	85

Performance indicators: Entrepreneurship and SMEs

Table 45	Employment in SMEs	85
-----------------	--------------------	----

Policy indicators - Competition:

Table 46	Criteria for appointments of Authority members	86
Table 47	Human and financial resources of Regulatory Authorities	86



Table 48	Proceedings concluded by the Italian Competition Authority	87
Table 49	Agreements examined by sector of economic activity	87
Table 50	Abuses examined by sector of economic activity, 2001	88
Table 51	Reporting and consultation by sector	88
Table 52	Privatisations planned and carried out	88

Policy indicators - Entrepreneurship and SMEs

Table 53	Administrative costs for company registration	89
Table 54	Number of procedures and time required for business start-up	89

STRUCTURAL INDICATORS OF INFORMATION SOCIETY

Performance indicators - R&D and innovation:

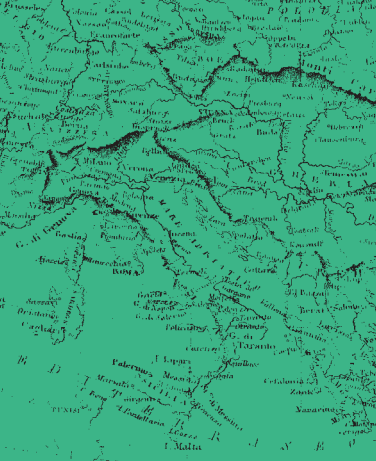
Table 55	Number of innovating SMEs	89
Table 56	Exports of high technology products	90

Performance indicators - Information society:

Table 57	Internet users	90
Table 58	Number of PCs installed and connected	90
Table 59	Firms use of IT	91
Table 60	Market value of ICT	91
Table 61	Mobile phones	91

Policy indicators - R&D and innovation:

Table 62	R&D expenditure by public and private sector	92
Table 63	Full-time researchers	92
Table 64	Total researchers	92
Table 65	Patents registration	93
Table 66	Invention patent registration	93



STRUCTURAL INDICATORS OF CAPITAL MARKETS

Capital market structure

Table 67	Investments in equities by institutional investors relative to GDP	94
Table 68	Market shares of top five banks	94
Table 69	Merger patterns in the financial sector	94
Table 70	Main indicators of the Italian Stock Exchange market capitalisation	95

Capital market integration

Table 71	Cross-border banking penetration	95
Table 72	Percentage of foreign equities in domestic portfolios	96

Financing of SMEs and innovation

Table 73	Venture capital investments	96
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METHODOLOGICAL NOTES		97
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STRUCTURAL INDICATORS OF PRODUCTS MARKETS

Performance indicators - Functioning of markets:

Table 1 - Intra EU and total trade
(as a percentage of GDP)

Years	Intra UE trade	Total trade
1996	0.108	0.187
1997	0.112	0.193
1998	0.115	0.195
1999	0.113	0.191
2000	0.122	0.220
2001	0.120	0.218

Source: Istat data processed by Ministry of Economy and Finance.

Table 2 - Cross border mergers and acquisitions
(EU member States' shares relative to GDP share - per cent ratios)

	1996	1997	1998	1999	2000	2001
Inward						
France	93.6	90.9	52.9	39.5	36.0	40.8
Germany	53.6	40.4	40.4	45.0	177.5	97.6
Italy	24.0	20.7	17.0	22.8	23.6	31.0
Portugal	75.5	5.8	17.3	4.4	37.7	13.8
United Kingdom	284.0	216.8	290.8	217.4	168.9	178.4
Spain	25.7	52.3	44.1	23.2	53.2	55.5
Outward						
France	86.1	87.3	64.0	101.5	126.8	108.9
Germany	68.5	36.2	93.5	67.2	30.8	74.5
Italy	12.0	20.9	38.2	17.9	15.5	24.7
Portugal	7.7	33.4	120.9	20.6	24.6	14.7
United Kingdom	277.8	257.0	200.6	242.7	262.4	189.2
Spain	51.5	83.2	76.8	69.8	69.0	46.6

Source: OECD "Main Economic Indicators" and UNCTAD - "World Investment Report 2001" - data processed by Ministry of Economy and Finance.

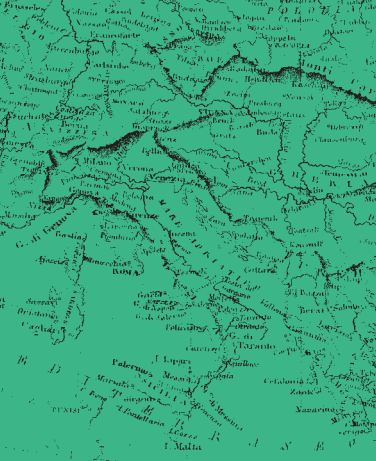


Table 3 - Harmonised index of consumer prices
(1996=100)

	1997	1998	1999	2000	2001	2002
UE15	101.7	103.0	104.3	106.4	109.0	110.9
Austria	101.2	102.0	102.5	104.5	106.9	108.8
Belgium	101.5	102.4	103.6	106.4	109.0	110.7
Danimarca	101.9	103.3	105.4	108.3	110.7	113.4
France	101.3	102.0	102.5	104.4	106.3	108.3
Finland	101.2	102.6	103.9	107.0	109.8	112.0
Germany	101.5	102.1	102.8	104.9	106.5	107.9
Greece	105.4	110.2	112.6	115.8	120.1	124.8
Ireland	101.2	103.4	106.0	111.5	116.0	121.5
Italy	101.9	103.9	105.7	108.4	110.9	113.8
Luxembourg	101.4	102.4	103.4	107.3	109.9	112.1
Netherlands	101.9	103.7	105.8	108.2	113.8	118.3
Portugal	101.9	104.2	106.4	109.4	114.2	118.4
United Kingdom	101.8	103.4	104.8	105.6	106.9	108.3
Spain	101.9	103.7	106.0	109.7	112.8	116.8
Sweden	101.9	102.9	103.4	104.8	107.6	109.7

Source: Eurostat New Cronos.

Table 4 - Level of labour productivity
(annual index: EU15=100)

	output per hour worked			output per employee		
	1995	2001	2002	1995	2001	2002
Italy	114.2	115.1	115.0	113.9	115.9	115.3
United Kingdom	84.5	87.9	87.4	89.6	93.7	94.2
France	114.9	111.9	114.2	113.1	109.8	109.6
Germany	106.3	106.1	105.7	99.5	97.3	97.4
United States	106.6	103.2	103.0	89.6	93.7	94.2
Japan	81.7	78.4	76.2	120.1	117.7	119.6

Source: Eurostat.



Table 5 - Profitability
(annual index: 1995=100)

Years	Agriculture, forestry and fisheries	Industry excluding construction	Construction	Trade, hotels, restaurants, transport and communication	Credit services, insurance, real estate services, renting and professional services	Education, health system, other public and private services
INPUT DEFLATOR						
1997	103.0	101.5	103.6	105.0	108.7	106.1
1998	100.8	100.5	104.6	106.7	112.5	109.3
1999	102.0	100.0	106.0	110.5	114.5	112.1
2000	105.5	108.5	109.4	113.1	118.0	117.7
2001	110.0	109.8	111.9	116.8	122.6	120.9
OUTPUT DEFLATOR						
1997	103.2	102.4	104.4	105.0	107.9	109.9
1998	100.8	101.4	103.9	105.9	108.7	109.1
1999	99.1	101.4	105.7	108.5	111.4	111.7
2000	101.3	107.7	109.0	109.6	114.4	116.7
2001	105.8	109.4	111.5	112.9	117.3	121.1
UNIT VARIABLE COST						
1997	97.6	103.1	104.3	105.0	108.4	110.0
1998	93.1	102.2	104.0	105.3	109.8	109.0
1999	87.7	102.2	106.5	109.4	113.5	111.7
2000	89.5	109.0	109.9	111.1	116.1	117.2
2001	92.8	110.3	112.2	113.6	120.0	121.3
LABOUR COST PER UNIT OF OUTPUT						
1997	96.7	106.4	105.5	102.9	102.6	111.4
1998	90.9	103.6	103.1	101.5	100.6	107.5
1999	83.7	103.4	107.1	103.0	102.1	108.3
2000	83.5	102.8	109.0	104.5	104.1	112.2
2001	86.3	105.9	112.1	106.2	107.4	115.6
MARK-UP - margins on unit variable costs						
1997	105.7	99.4	100.0	100.0	99.5	99.9
1998	108.3	99.2	99.9	100.5	99.0	100.1
1999	113.1	99.2	99.2	99.2	98.1	100.0
2000	113.2	98.8	99.2	98.7	98.5	99.5
2001	114.0	99.2	99.4	99.4	97.7	99.9

Source: Istat, Conti Trimestrali SEC. 95.



Performance indicators - Network industries:

Table 6 - Net electricity generation
(year 2001)

	GWh	%
ENEL - PRODUZIONE	132,050	49.5
AEM MILANO	4,535	1.7
AEM TORINO	2,401	0.9
EUROGEN	22,675	8.5
GEVAL	2,934	1.1
ENI	5,335	2.0
EDISON	25,076	9.4
SONDEL	8,003	3.0
ELETTROGEN / ENDESA	17,607	6.6
INTERPOWER	6,936	2.6
ENEL GREEN POWER	8,803	3.3
OTHERS	30,145	11.3
TOTAL NET GENERATION	266,500	100.0

Source: "Annual Report 2002" - Data processed by Ministry of Economy and Finance.

Table 7 - Electricity sales
(year 2001)

MARKET OPERATOR	ENERGY SOLD			
	FREE MARKET (TWh)	MARKET SHARE (%)	CAPTIVE MARKET (TWh)	MARKET SHARE (%)
ENEL GROUP	26.9	27.3	174.5	93.2
EDISON GROUP (a)	10.4	10.6	0.0	0.0
ENERGIA GROUP	3.5	3.6	0.0	0.0
LOCAL COMPANIES	3.2	3.2	10.2	5.4
OTHER MINOR PRODUCERS	0.0	0.0	2.6	1.4
SELF-GENERATORS	23.0	23.4	0.0	0.0
FOREIGN WHOLESALERS	5.2	5.3	0.0	0.0
WHOLESALING CONSORTIUMS	11.3	11.5	0.0	0.0
OTHER WHOLESALERS	3.6	3.7	0.0	0.0
PURCHASING CONSORTIUM	3.5	3.6	0.0	0.0
ELIGIBLE FINAL COSTUMERS	7.9	8.0	0.0	0.0
TOTAL ELECTRICITY SALES	98.5	100.0	187.3	100.0

(a) Data for Edison, Sondel and Fiat Energia, which merged as the new Nuova Edison group in May 2002.
Source: Data processed by the Italian Regulatory Authority for Electricity and Gas - "Annual Report 2002".



Table 8 - Market shares in gas sector

OPERATOR	SALES AND CONSUMPTIONS			
	FREE MARKET (billions of cubic metre)	MARKET SHARE (%)	CAPTIVE MARKET (billions of cubic metre)	MARKET SHARE (%)
ENI	24.0	53.1	6.3	25.3
ENEL	12.7	28.1	0.8	3.2
EDISON	2.9	6.4	0.1	0.4
OTHERS	5.5	12.2	17.7	71.1
TOTAL	45.2	100.0	24.9	100.0

Source: Data processed by the Italian Regulatory Authority for Electricity and Gas - "Annual Report 2002".

Table 9 - Electricity prices for households

(net of taxes - euro-cents/KWh)

	Annual consumption classes							
	600 KWh		1200 KWh		3500 KWh		7500 KWh	
	jan. 2002	2002/01	jan. 2002	2002/01	jan. 2002	2002/01	jan. 2002	2002/01
	euro cent/ kwh	Δ %	euro cent/ kwh	Δ %	euro cent/ kwh	Δ %	euro cent/ kwh	Δ %
EU weighted average	16.05	2.88	12.84	2.72	10.39	2.87	9.57	0.74
Italy								
- Total tariff	8.29	-1.76	8.61	-1.76	14.94	-6.89	14.50	-7.06
- Part of the tariff linked to variable costs (oil) (*)	3.16	-23.71	3.16	-23.71	4.72	-27.70	4.72	-27.70
- Tariff excluding variable costs (oil)	5.13	19.39	5.45	17.91	10.22	7.37	9.78	7.78

(*) Estimates.

Source: Eurostat - data processed by Italian Regulatory Authority for Electricity and Gas.

Table 10 - Electricity prices for industrial users

(net of taxes - euro-cents/KWh)

	Annual consumption classes							
	160000 KWh		2 GWh		10 GWh		24 GWh	
	jan. 2002	2002/01	jan. 2002	2002/01	jan. 2002	2002/01	jan. 2002	2002/01
	euro cent/ kwh	Δ %	euro cent/ kwh	Δ %	euro cent/ kwh	Δ %	euro cent/ kwh	Δ %
EU weighted average	8.71	-1.02	6.24	-0.95	5.91	-1.50	5.22	2.35
Italy								
- Total tariff	9.93	-8.35	8.88	-7.82	9.00	0.95	8.23	0.98
- Part of the tariff linked to variable costs (oil) (*)	4.13	-27.01	4.13	-27.01	4.13	0.73	4.13	0.73
- Tariff excluding variable costs (oil)	5.80	12.07	4.75	19.51	4.87	1.29	4.10	1.50

(*) Estimates.

Source: Eurostat - data processed by Italian Regulatory Authority for Electricity and Gas.

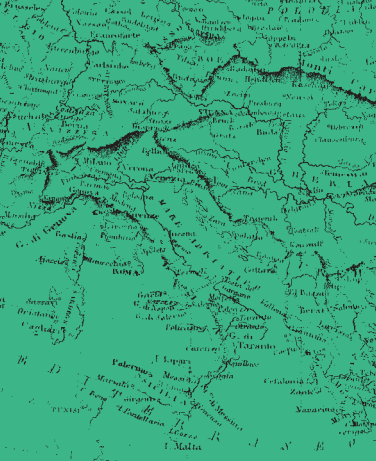


Table 11 - Gas prices for households
(net of taxes - euro-cents per cubic meter)

	Annual consumption classes								
	january 2001			july 2001			january 2002		
	8.37 GJ	83.7 GJ	125.6 GJ	8.37 GJ	83.7 GJ	125.6 GJ	8.37 GJ	83.7 GJ	125.6 GJ
EU weighted average	52.10	33.21	31.94	53.73	33.30	31.99	53.47	32.12	30.79
Italy									
- Total tariff	49.85	42.14	41.51	47.32	39.57	38.94	46.10	37.87	37.27
- Part of the tariff linked to variable costs (oil)(*)	24.68	20.86	20.55	21.12	17.66	17.38	18.62	15.30	15.05

(*) Estimates.

Source: Eurostat - data processed by Italian Regulatory Authority for Electricity and Gas.

Table 12 - Gas prices for industrial users
(net of taxes - euro-cents per cubic meter)

	Annual consumption classes											
	january 2001				july 2001				january 2002			
	418.6 GJ	4186 GJ	41860 GJ	418600 GJ	418.6 GJ	4186 GJ	41860 GJ	418600 GJ	418.6 GJ	4186 GJ	41860 GJ	418600 GJ
EU weighted average	31.32	26.69	24.64	22.06	30.17	25.81	22.93	19.84	30.71	25.45	21.85	18.38
Italy												
- Total tariff	41.03	29.59	25.06	20.98	35.57	27.92	25.67	21.34	36.59	28.32	22.35	18.62
- Part of the tariff linked to variable costs (oil)(*)	20.31	14.65	n.a.	n.a.	15.87	12.46	n.a.	n.a.	14.78	11.44	n.a.	n.a.

(*) Estimates.

Source: Eurostat - data processed by Italian Regulatory Authority for Electricity and Gas.

Table 13 - Implementation of Galli Law (Law 36/1994)

	As of 30/5/2001	As of 30/6/2002
Optimal water management areas planned	89	91
Optimal water management areas instituted	48	74
Reconnaissance performed	25	54
Area plans approved	7	18
Service entrustment	2	10

Source: Comitato per la vigilanza sull'uso delle risorse idriche, 2002



Table 14 - Water tariffs in some districts
(january 2002)

District-Operator	Base tariff potable water	Part of tariff for sewerage	Part of tariff for depuration	Average tariff for water cycle	Population served	Total consumption per head
	(euro-cents per cubic meter)				n.	litre/inhabitant per day
Ancona - Cons. Gorgovivo	0.438988	0.099676	0.279403	0.86	222,070	175
Ascoli Piceno - CIIP	0.442087	0.087798	0.258228	0.72	269,137	140
Bari - AQP	0.498897	0.091929	0.263909	1.24	4,397,999	135
Bologna - SEABO	0.773652	0.096676	0.276743	1.17	766,838	164
Bolzano - SEAB	0.237570	0.132200	0.406556	0.73	97,300	205
Milano - Acq.to Com.le	0.149779	0.085887	0.258228	0.47	1,336,744	n.d
Napoli - ARIN	0.645571	0.094542	0.264942	0.92	1,000,470	206
Reggio Emilia - AGAC	0.676559	0.087798	0.258228	1.09	392,834	123
Roma - ACEA ATO2	0.361003	0.091413	0.270107	0.64	3,000,000	289
Torino - SMAT	0.353773	0.087798	0.222076	0.60	1,293,280	281
Venezia - ASPIV	0.248318	0.091829	0.268388	0.58	287,332	210
Verona - AGSM	0.227241	0.131180	0.269074	0.60	255,000	203
Sardegna - ESAF	0.457064	0.092084	0.258228	0.87	773,611	170

Source: Federgasacqua

Table 15 - Prices trend in postal services
(harmonised index: base 1996=100)

	1997	1998	1999	2000	2001	2002
Austria	109.5	118.9	118.9	118.9	124.4	124.6
Belgium	106.3	106.3	106.3	106.3	106.3	108.0
Denmark	100.0	100.0	103.4	103.8	105.0	110.1
Finland	100.3	102.7	114.0	126.1	129.7	129.6
France	101.2	101.2	101.3	101.5	102.2	103.6
Germany	103.0	107.5	107.2	107.4	108.4	110.0
Greece	104.7	121.7	129.8	138.1	161.5	175.2
Ireland	100.0	99.5	99.3	99.3	99.3	103.6
Italy	108.1	112.2	112.2	112.4	114.5	115.7
Luxembourg	100.0	100.0	100.0	115.2	120.2	119.9
Netherlands	108.6	108.6	108.6	109.1	112.3	117.2
Portugal	104.6	106.2	107.2	111.6	112.6	116.8
Spain	108.1	141.7	141.7	141.7	160.1	181.5
Sweden	117.4	124.1	129.8	130.8	130.5	140.9
United Kingdom	101.9	103.0	103.7	107.1	108.5	109.0
EU15	104.3	107.9	108.2	109.2	110.7	112.6

Source: Eurostat New Cronos

Table 16 - Market share of reserved postal services
(as a percentage of revenues of reserved postal services)

Years	%
1997	73.0
1998	73.0
1999	66.0
2000	66.0
2001	66.0
2002 (*)	65.8

(*) Estimates

Source: Poste italiane

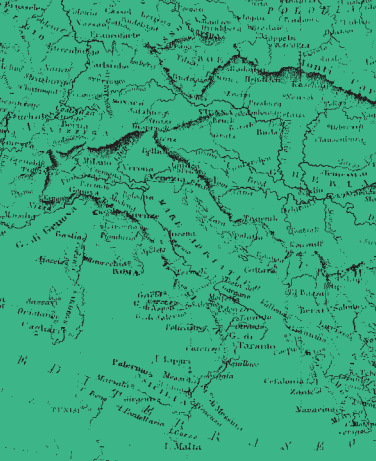


Table 17 - Telecom Italia charges: effects of the tariffs rebalancing
(percentage changes, year 2001)

Services	%
Access	8.5
Local	0.0
District	- 23.4
National Long Distance	- 18.5
International	- 6.3
Total	- 2.0

Source: The Italian Communication Authority

Table 18 - Incumbent's telephone charges

Fixed to fixed	1998		1999		2000		2001		2002		2002	
	peak	off-peak	peak	off-peak	peak	off-peak	peak	off-peak	peak	off-peak	peak	off-peak
	italian lire								euro cents			
Local	127	127	192	153	192	153	192	153	192	153	9.91	7.88
Long distance (over than 30 km)	983	584	924	567	924	924	924	924	427	277	22.03	14.31
International (France)	2,133	1,936	1,990	1,697	1,700		1,700		1,438		74.27	
International (USA)	2,133	1,936	1,990	1,697	1,700		1,700		1,438		74.27	
International (Japan)	5,194	4,685	5,115	4,631	4,700		4,700		4,700		242.72	
Monthly rental basic subs (B-simplex)	16,800		18,000		18,700		18,700		23,506		1,214.00	
percentage changes	99/98		00/99		01/00		01/98		02/01			
	peak	off-peak	peak	off-peak	peak	off-peak	peak	off-peak			peak	off-peak
Local	51.2	20.5	0.0	0.0	0.0	0.0	51.2	20.5			0.0	0.0
Long distance (over than 30 km)	-6.1	-3.0	0.0	0.0	0.0	0.0	-6.0	58.2			-37.4	-32.8
International (France)	-6.7	-12.4	-		0.0		-				-15.4	
International (USA)	-6.7	-12.4	-		0.0		-				-15.4	
International (Japan)	-1.5	-1.2	-		0.0		-				0.0	
Monthly rental basic subs (B-simplex)		7.1		3.9		0.0		11.3			25.7	

Source: The Italian Communication Authority



Table 19 - Telephone charges of major operators								
(Prices at 5 th September, 2002 - value expressed in euro cents, VAT excluded)								
	Lenght/Cost							
	1 minute		3 minutes		5 minutes		10 minutes	
	peak	off-peak	peak	off-peak	peak	off-peak	peak	off-peak
Urban calls								
Telecom Italia	6.74	6.07	9.91	7.88	13.08	9.70	20.99	14.24
Tiscali	6.57	5.95	9.38	7.53	12.20	9.12	19.24	13.08
E-Planet	6.71	6.04	9.81	7.81	12.91	9.58	20.66	13.99
Wind-Infostrada	6.63	5.96	9.54	7.54	12.46	9.13	19.75	13.08
Long-distance calls								
Telecom Italia	16.11	9.14	35.21	14.31	54.31	19.48	102.06	32.39
Tiscali	11.78	8.92	22.43	13.83	33.08	18.75	59.71	31.04
E-Planet	10.58	8.26	21.41	14.46	32.24	20.66	59.33	36.16
Wind-Infostrada	15.50	8.92	33.58	13.83	51.67	18.75	59.88	31.04
Fixed/mobile calls								
Telecom Italia	33.76	20.52	88.17	48.43	142.58	76.35	278.60	146.14
Tiscali	39.40	29.07	93.22	62.22	147.03	95.37	281.58	178.24
E-Planet	26.71	18.93	69.81	46.48	112.91	74.03	220.66	142.91
Wind-Infostrada	37.29	24.13	91.04	51.54	144.79	78.96	279.17	147.50
International calls								
Direct to France /United states								
Telecom Italia	41.97		74.27		106.57		187.32	
Tiscali	21.23		37.88		54.53		96.16	
E-Planet	18.07		43.88		69.70		134.24	
Wind-Infostrada	31.04		67.29		103.54		194.17	
Direct to Est Europe (Poland)								
Telecom Italia	55.82		115.82		175.82		325.82	
Tiscali	42.57		101.88		161.20		309.49	
E-Planet	36.15		98.13		160.12		315.08	
Wind-Infostrada	49.13		121.54		193.96		375.00	
Direct to Japan								
Telecom Italia	98.12		242.72		387.32		748.82	
Tiscali	42.57		101.88		161.20		309.49	
E-Planet	36.15		98.13		160.12		315.08	
Wind-Infostrada	77.50		206.67		335.83		658.75	
Source: The Italian Communication Authority								



Table 20 - Tariff plans: comparison among major operators
(Main offers at 5th September 2002)

Companies	Tariff Plans						Charges E/month VAT excluded	
Telecom Italia	Teleconomy 24						4.65	
Wind Infostrada	Pronto 1055 Spazio Zero						4.63	
Wind Infostrada	Family Superlight						4.31	
Length/Cost Euro cent (VAT excluded)								
	1 minute peak off-peak		3 minutes peak off-peak		5 minutes peak off-peak		10 minutes peak off-peak	
Urban and long-distance calls								
Telecom Italia	6.40	6.40	8.88	8.88	11.37	11.37	17.58	17.58
Infostrada	6.21	6.21	8.29	8.29	10.38	10.38	15.58	15.58
Wind	2.84	2.07	8.53	8.53	14.21	10.33	28.42	20.67
Fixed/mobile calls								
Telecom Italia	32.07	19.49	83.76	46.01	135.45	72.53	264.67	138.83
Infostrada	36.04	23.13	87.29	48.54	138.54	73.96	266.67	137.50
Wind	28.41	17.05	85.23	51.15	142.04	85.25	284.08	170.50
International calls								
Direct to France / USA								
Telecom Italia	27.28		48.27		69.27		121.76	
Infostrada	31.04		67.29		103.54		194.17	
Wind	15.07		45.20		75.33		150.67	
Direct to East Europe (Poland)								
Telecom Italia	36.28		75.28		114.28		211.78	
Infostrada	49.13		121.54		193.96		375.00	
Wind	27.98		83.93		139.88		279.75	
Direct to Japan								
Telecom Italia	63.78		157.77		251.76		486.73	
Infostrada	77.50		206.67		335.83		658.75	
Wind	107.60		322.80		538.00		1076.00	

Source: The Italian Communication Authority



Table 21 - Competition in fixed and mobile telephony
(concentration index)

	Market share (%)									
	All voice phone		Local		Long distance		International		To mobile phone	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Telecom Italia	83.8	76.8	94.1	86.6	77.6	64.0	79.3	74.9	80.6	76.0
OLO 1 (a)	15.2	21.3	5.7	11.9	21.2	32.9	17.4	21.8	18.3	22.5
OLO 2 (b)	1.0	1.9	0.2	1.5	1.2	3.1	3.3	3.3	1.1	1.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
HH index	7,137	6,130	8,876	7,603	6,241	4,563	6,401	5,785	6,717	6,105

	Market share (%)				
	Revenue		Lines Installed		
	2000	2001	2000	2001	2001
TIM	56.6	51.0	51.1		47.8
Blu-OPI-Wind	43.4	49.0	48.9		52.2
Total	100.0	100.0	100.0		100.0
HH index	4,695	4,142	3,998		3,608

(a) OLO 1 comprises Albacom, Tele2 and Wind.

(b) OLO 2 comprises Atlantel, Edisontel, E-planet, Fastweb and Tiscali.

Source: The Italian Communication Authority.

Table 22 - Revenues for line installed

	2000	2001
TIM	102	103
Blu	16	57
OPI	110	113
Wind	56	66
Average	100	100

Source: The Italian Communication Authority, "Annual Report 2002".

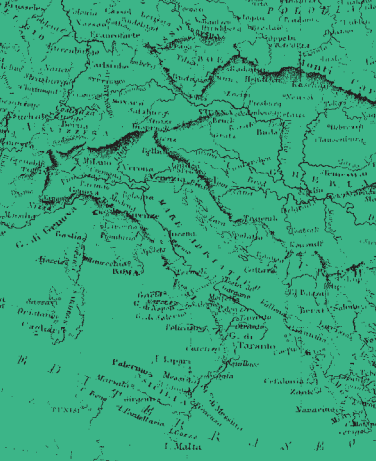


Table 23 - Charges for fixed and mobile telephony service

	1997	1998	1999	2000	2001
Average charge for fixed telephone call	100	89	82	70	56
Average charge for mobile telephone call	100	89	82	70	67

Source: The Italian Communication Authority, "Annual Report 2002".

Table 24 - Market shares in fixed and mobile telephony
(percentages)

Operator	Share of fixed telephony
Telecom	76.80
OLO 1 (a)	21.30
OLO 2 (b)	1.90
Share of mobile telephony market	
Tim	51
Blu, Omnitel -Vodafone, Wind	49

(a) OLO 1 comprises Albacom, Tele 2 and Wind.

(b) OLO 2 comprises Altanet, Edisontel, E-Planet, Fastweb and Tiscali.

Source: The Italian Communication Authority, "Annual Report 2002".

Table 25 - Medium and long distance railway tariffs
(One-way ticket fares - value expressed in euro)

Route	km	Years					
		2000		2001		2002	
		1 st cl.	2 nd cl.	1 st cl.	2 nd cl.	1 st cl.	2 nd cl.
Roma-Milano (Eurostar)	632	66.62	42.35	67.14	46.48	67.14	46.48
Roma-Firenze (Eurostar)	316	42.09	26.60	42.35	29.44	42.35	29.44
Napoli-R.Calabria (Intercity)	476	48.55	30.21	42.40	31.35	42.40	31.35
Pescara-Bari (Intercity)	300	31.92	19.73	27.94	20.50	27.94	20.50

Source: Trenitalia.



Table 26 - Regional railway tariffs

(One-way ticket fares and monthly ticket in some Regions - value expressed in euro)

Regions	Route	km	ONE WAY TICKET					
			2000		2001		2002	
			1 st cl.	2 nd cl.	1 st cl.	2 nd cl.	1 st cl.	2 nd cl.
Campania	Salerno-Avellino	49	4.18	2.53	4.18	2.69	4.18	2.69
	Napoli-Benevento (via Caserta)	97	7.23	4.39	7.23	4.65	7.23	4.65
E. Romagna	Fidenza - R. Emilia	50	4.18	2.53	4.18	2.69	4.25	2.75
	Faenza-Ferrara	97	7.23	4.39	7.64	4.91	7.75	5.00
Lombardia	Milano-Como	47	4.29	2.84	4.29	2.84	4.85	3.25
	Pavia-Bergamo	95	7.70	5.11	7.70	5.11	8.10	5.40
			MONTHLY TICKET					
			2000		2001		2002	
			1 st cl.	2 nd cl.	1 st cl.	2 nd cl.	1 st cl.	2 nd cl.
Campania	Salerno-Avellino		69.21	45.96	69.21	45.96	69.21	45.96
	Napoli-Benevento (via Caserta)		94.51	63.01	94.51	63.01	94.51	63.01
E. Romagna	Fidenza - R. Emilia		71.27	44.42	71.27	45.96	72.50	46.75
	Faenza-Ferrara		92.45	57.84	99.16	64.04	100.85	65.15
Lombardia	Milano-Como		69.72	46.48	69.72	46.48	83.50	55.50
	Pavia-Bergamo		95.54	63.52	95.54	63.52	107.50	72.00

N.B. Prices based on regional tariffs.
Source: Trenitalia.

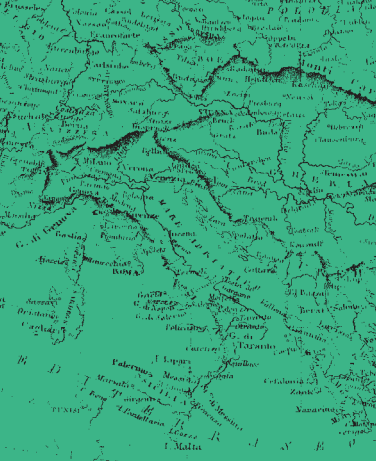


Table 27 - Issues of railway licences

A) Railway operators owing a licence

Entreprise	Kind of licence
Trenitalia SpA (*)	International with extension to the national market
Ferrovie Nord Milano Esercizio SpA (*)	International with extension to the national market
Del Fungo Giera Servizi Ferroviari SpA (*)	International with extension to the national market
Rail Traction Company SpA (*)	International with extension to the national market
Rail Italy srl (*)	International with extension to the national market
Metroferro SpA	International with extension to the national market
Metronapoli SpA (*)	International with extension to the national market
La Ferroviaria Italiana	International with extension to the national market
Interjet srl	International with extension to the national market
Ferrovia Adriatico Sangritana srl	International with extension to the national market
Hupac SpA	International with extension to the national market
Azienda Consorziale Trasporti di Reggio Emilia	International with extension to the national market
Getras srl	International with extension to the national market
Ferrovia centrale Umbra srl	International with extension to the national market
Cemat SpA	International with extension to the national market
S.A.T.T.I.	International with extension to the national market
Ferrovia Emilia Romagna srl	International with extension to the national market
Società Ferrovie del Gargano srl	International with extension to the national market
Sistemi Territoriali SpA	International with request of extension to the national market
Strade ferrate del Mediterraneo	International with extension to the national market
Monferail srl	International with extension to the national market
SAD - Trasporto locale SpA	International with extension to the national market
Decotrain SpA	International with extension to the national market
ATCM SpA	International with extension to the national market
SERFER - Servizi Ferroviari Srl	International with extension to the national market
Azienda Trasporti Milanese SpA	International with extension to the national market
CAT SpA	International with extension to the national market

B) Railways operators waiting for a licence

Entreprise	State of application
Alifana	Request for additional documentation
Gner Italia	Request for additional documentation
Italiana Coke	Request for additional documentation
Ventarail	Evaluation phase

(*) Operators having obtained the safety certificate.

Source: Ministry of Infrastructures and Transports, *Servizio Vigilanza sulle Ferrovie*.



QUALITY OF SERVICE PROVIDED BY NETWORK INDUSTRIES

Table 28 - Electricity: long unplanned outages in Enel grid serving households

	Italy (*)	Northern Italy	Central Italy	Southern Italy (*)
Number of outages per user				
1996	4.8	3.5	5.1	6.1
1997	4.6	2.8	5.7	6.1
1998	4.1	2.6	4.9	5.4
1999	3.8	2.7	5.2	5.4
2000	3.9	2.6	4.0	5.7
2001	3.6	2.3	3.3	5.3
Average outage length (minutes per user)				
1996	272	159	285	403
1997	209	125	229	302
1998	196	121	230	270
1999	191	145	227	297
2000	218	139	197	330
2001	181	109	133	291

(*) Until 1999, data exclude Calabria, Campania and Sicily.

Source: The Italian Electricity and Gas Authority, "Annual Report", various years.

Table 29 - Electricity: long pre-announced outages in local providers networks

	1999	2000	2001
Outages per user (average)			
ACEA - Roma	2.3	2.7	2.6
AEM - Milano	1.1	1.5	1.9
AEM - Torino	1.5	2.4	2.3
ACEGAS - Trieste	1.2	1.7	1.3
ASM - Brescia	0.8	0.9	1.3
AEC - Bolzano	2.2	2.3	3.5
META - Modena	n.a.	0.5	1.2
Length of outages (minutes of down time per user)			
ACEA - Roma	108	127	98
AEM - Milano	55	66	60
AEM - Torino	42	108	51
ACEGAS - Trieste	54	55	43
ASM - Brescia	19	26	41
AEC - Bolzano	37	103	66
META - Modena	n.a.	13	40

Source: The Italian Electricity and Gas Authority, "Annual Report", various years.



Table 30 - Services standards under service charters and those set by the Authority in the electricity sector

Specific quality standards (for low-voltage users)	Standard set by distributors in service charters (number of calendar days)						Specific standards set by the Authority (working days)
	ENEL	ACEA ROMA	AEM MILANO	AEM TORINO	ACEGAS TRIESTE	ASM BRESCIA	
Maximum time for estimate on simple jobs	25 - 55	23	30	12	30	25	15
Maximum time for simple jobs	50 - 80	n.a.	14	12	30	20	15
Maximum time for connection	10 - 20	5	7	12	10	10	5
Maximum time for termination at user's request	12 - 15	10	7	12	10	10	5
Maximum time to reactivate service after suspension for non-payment	1	1	1	1	1	1	1

Source: The Italian Electricity and Gas Authority, "Annual Report", 2002.

Table 31 - Automatic compensation for failure to meet specific quality standards for service provider's fault in the electricity sector (Decision 201/99 of the Italian Electricity and Gas Authority - Italian lire)

Compensation set by Authority	Households with low-voltage service	Non-households with low-voltage service	Medium voltage users
Amount due on next bill or within 90 days	50,000	100,000	200,000
Amount due from 90-180 days	100,000	200,000	400,000
Amount due after 180 days	250,000	500,000	1,000,000

Source: The Italian Electricity and Gas Authority, "Annual Report", 2002.

Table 32 - Specific commercial quality standards, gas distribution (Decision 47/00 of the Italian Electricity and Gas Authority)

	Users with meter up to G 25 class	Users with meters from class G40 class
Maximum time for estimate on simple jobs	15 working days	20 working days
Maximum time for simple jobs	15 working days	20 working days
Maximum time for connection	5 working days	10 working days
Maximum time for termination at user's request	5 working days	7 working days
Maximum time to reactivate service after suspension for non-payment	2 weekdays	2 weekdays
Maximum range of punctuality for personalised appointments	3 hours	3 hours

Source: The Italian Electricity and Gas Authority, "Annual Report", 2002.



Table 33 - Complaints, requests for information and reports received by the Authority

	Complaints	Information requests	Reports
1999 -2000			
Electricity	63	46	13
Gas	90	27	79
Total	213	73	92
2000 - 2001			
Electricity	270	85	31
Gas	108	51	6
Total	378	136	37
2001 - 2002 (*)			
Electricity	316	35	26
Gas	122	40	14
Total	438	75	40

(*) Data refer to period May 2001 - April 2002

Source: The Italian Electricity and Gas Authority, "Annual Report", 2002.

Table 34 - Electricity: average time necessary for each kind of service
(number of days)

	Enel				Local energy providers			
	1997	1998	1999	2000	1997	1998	1999	2000
Estimate of connection costs	15.8	16.5	17.4	7.84	20.1	16.8	22.8	7.6
Connection to the network	5.5	5.0	5.8	4.47	10.8	9.6	7.4	5.61
Answer to written questions	16.7	13.3	12.2		14.4	15.4	15.8	
Answer to complaints	20.2	23.5	23.9	8.25(*)	14.2	15.2	15.5	n.a.
Bill correction	11.3	8.7	8.9	4.91	8.8	9.5	13.2	n.a.
Meters inspection	9.9	9.0	9.9	6.65	6.8	6.3	13.0	n.a.
Tension inspection	9.7	7.1	7.6	6.12	1.1	5.2	1.3	n.a.

(*) Data are comprehensive of answers to both written questions and to complaints.

Source: The Italian Electricity and Gas Authority, "Annual Report", various years.

Table 35 - Gas: average time necessary for each kind of service
(number of days)

	Large size				Providers: Medium size				Small size			
	1997	1998	1999	2000	1997	1998	1999	2000	1997	1998	1999	2000
Estimate of connection costs	8.9	8.1	7.5	7.3	13.1	11.1	10.0	8.8	6.7	9.0	8.3	8.3
Connection to the network	15.9	10.8	10.6	n.a.	22.3	18.9	14.2	n.a.	15.3	14.1	12.4	n.a.
Complete installation	30.1	22.0	17.5	20.4	28.8	26.2	23.6	22.4	27.3	24.1	20.9	18.9
Answer to written questions	15.1	12.7	12.6	n.a.	16.3	18.1	18.1	n.a.	15.7	14.8	12.4	n.a.
Answer to complaints	18.1	7.8	14.5	17.1	24.5	18.0	17.4	15.2	9.5	14.5	9.3	21.4
Bill correction	7.0	2.4	17.2	n.a.	8.8	18.1	6.6	n.a.	5.6	6.6	6.8	n.a.
Meters inspection	5.2	4.6	5.6	3.6	8.6	10.9	5.0	4.3	4.6	3.5	4.2	3.4
Pression inspection	4.1	2.4	0.9	0.8	3.7	2.4	1.8	2	2.4	2.7	2.7	2.7
Urgent intervention (minutes)	66.3	25.0	40.5	37.7	41.6	43.7	32.8	34.2	29.4	29.6	26.5	31.9

Source: The Italian Electricity and Gas Authority "Annual Report", various years.

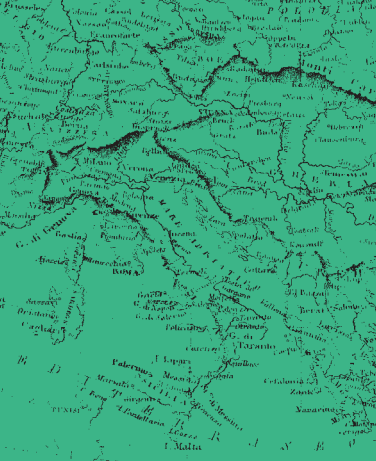


Table 36 - Quality of postal services
Delivery time - days after posting, percentages

	standard of delivery time expressed in days	1998	1999	2000	2001	1 st half 2002
Priority mail	1	-	81	82.5	85.5	86.6
Ordinary mail	3	65	77.5	84	85.6	93
International mail incoming	3	33	69.5	87.5	88	89
Registered mail	3	-	85	88	89.5	93
Insured mail	3	-	78	87.5	94	93
Express mail	1	48	97	98	97.5	98

Source: Poste Italiane

Table 37 - Railway accidents

Frequency of accident	1995	2000	2001	Average 1995-2001
Number of typical accidents per million of Train-km	0.46	0.29	0.28	0.37
Number of dead in the typical accidents per million of Train-Km	0.06	0.06	0.02	0.04
Number of injured in the typical accidents per million of Train-Km	0.30	0.04	0.06	0.12
Number of dead passengers in all the accidents (typical + non typical) per billion of Passengers-km	0.09	0.17	0.19	0.29
Number of wounded passengers in all the accidents (typical + non typical) per billion of Passengers-km	3.35	0,64	0.86	1.58

Source: Trenitalia.



**Table 38 - Punctuality of passenger trains
(percentages)**

	1995	2000	2001	Average 1995-2001
Total Passenger Trains				
less than 15 minutes late	96	96	96	96
Medium and Long Distance Trains				
less than 15 minutes late	88	87	87	87
of which: EUROSTAR	87	91	87	91
Regional Trains				
on time (up to 5 minutes late)	86	86	88	86
less than 15 minutes late	97	96	97	96

Source: Trenitalia.

Table 39 - Local public services - Efficiency indicators

	1996		1997		1998		1999		2000		2001 (*)	
	Value	Index	Value	Index	Value	Index	Value	Index	Value	Index	Value	Index
WATER SERVICE												
Revenue per user (thousands of euro)	0.25	100	0.27	108	0.31	123	0.30	118	158.16	131	0.34	134
Costs per employee (thousands of euro)	116.11	100	134.10	115	135.91	117	143.37	123	288.60	136	183.91	158
ENERGY												
Revenue per user (thousands of euro)	0.49	100	0.50	103	0.50	103	0.45	93	0.41	85	0.44	90
Costs per employee (thousands of euro)	158.13	100	162.50	103	181.85	115	205.37	130	217.51	138	252.98	160
GAS												
Revenue per user (thousands of euro)	0.45	100	0.49	108	0.41	91	0.41	92	0.54	120	0.59	130
Costs per employee (thousands of euro)	289.08	100	321.74	111	348.13	120	346.42	120	512.73	177	595.42	206
WASTE COLLECTING												
Revenue per ton collected (thousands of euro)	0.19	100	0.19	102	0.20	105	0.25	134	0.23	124	0.25	133
Costs per employee (thousands of euro)	71.37	100	75.86	106	76.19	107	95.26	133	96.44	135	112.26	157
LOCAL PUBLIC TRANSPORT												
Revenue per thousand passengers (thousands of euro)	0.92	100	0.92	100	0.87	95	0.91	99	0.91	100	1.02	111
Costs per employee (thousands of euro)	57.10	100	58.57	103	56.08	98	61.92	108	60.30	106	70.18	123

(*) Estimates.

Source: Confservizi "Compendio Statistico 2001", data processed by Ministry of Economy and Finance.



ENVIRONMENTAL INDICATORS

Table 40 - Activity of the Environmental Impact Assessment Committee

Projects	Opinions 1989-1996				Opinions 1997-2002			
	Favourable	Unfavourable	Pending	Total	Favourable	Unfavourable	Pending	Total
Dangerous								
waste disposal	54	17	5	76	30	4	0	34
Dams	18	4	9	31	14	8	0	22
Railways	10	0	5	15	9	1	0	10
Motorways	12	2	0	14	53	2	3	58
Ports	5	4	5	14	13	0	2	15
Thermal generating plants	12	0	1	13	12	0	0	12
Fossil fuel prospecting								
and exploitation	0	0	0	0	31	8	0	39
Other	28	3	1	32	39	4	1	44
Total	139	30	26	195	201	27	6	234

Source: Ministry for the Environment and territorial protection.

Table 41 - Air pollution taxes, 2000

Gas	Euro per ton	Notes
SO _x	53.55	The revenue (€ 58 million) goes to the central government. The tax applies to major combustion plants (more than 50 MW). It does not apply to COVNM, COVM, solid particles, ODS, CO2 (or CO or total organic carbon).
NO _x	104.55	

Source: ANPA-Eurostat.

DISTRIBUTION SECTOR INDICATORS

Table 42 - Commercial activities - new retail outlets, 2001
(by size - percentage share of total)

Type of outlet	Neighbourhood		Medium-sized		Large		TOTAL	
Type of opening	Outlets	Sales area sq.m.	Outlets	Sales area sq.m.	Outlets	Sales area sq.m.	Outlets	Sales area sq.m.
Concentration	51.9	20.6	48.1	79.4	0.0	0.0	100.0	100.0
New business	98.7	87.9	1.2	9.0	0.1	3.1	100.0	100.0
Substitution	92.2	53.9	7.3	33.7	0.5	12.4	100.0	100.0
TOTAL	97.2	77.1	2.6	16.9	0.2	6.0	100.0	100.0

Source: Ministry for Productive Activities.



Table 43 - Commercial activities - new retail outlets, 2001
(by legal form - percentage share of total)

Legal form	Other		Sole proprietorship		Limited company		Partnership		TOTAL	
Sector	Outlets	Sales area sq.m.	Outlets	Sales area sq.m.	Outlets	Sales area sq.m.	Outlets	Sales area sq.m.	Outlets	Sales area sq.m.
Mixed	6.4	11.3	41.3	11.7	26.7	62.4	25.7	14.6	100.0	100.0
Food	1.1	3.5	60.9	42.8	10.7	30.1	27.3	23.7	100.0	100.0
Non-food	0.5	0.5	60.2	36.4	20.9	47.3	18.4	15.9	100.0	100.0
Special tables	1.1	2.0	76.6	75.3	10.8	12.1	11.5	10.7	100.0	100.0
TOTAL	1.0	2.5	59.4	33.6	19.4	47.4	20.1	16.5	100.0	100.0

Source: Ministry for Productive Activities.

Table 44 - Profitability in the distribution sector
(annual index: base 1995=100)

Years	Mark-Up on unit variable costs
1992	97.1
1993	95.8
1994	99.1
1995	100.0
1996	100.1
1997	99.9
1998	99.5
1999	98.3
2000	97.9

Source: Istat, Conti trimestrali SEC 95.

Performance indicators - Entrepreneurship and SMEs:

Table 45 - Employment in SMEs

Size of Enterprises - number of employees	1997	1998	1999	2000
	as a percentage of total employed in industry and services (*)			
1-9	47.0	47.7	47.9	48.8
10-49	22.2	21.9	21.7	22.2
50-249	12.4	12.1	12.1	12.7
250 or more	18.5	18.3	18.3	19.2
Total PMI	69.2	69.6	69.6	70.9

(*) section C, D, E, F, G, H, I, K classification Nace rev. 1.

Source: Eurostat New Cronos, data processed by Istat.



Policy indicators - Competition:

Table 46 - Criteria for appointment of Authority members

Authority	Appointment decided by
Consob	Government
Isvap	Government
Competition Authority	Presidents of Senate and Chamber of Deputies
Energy and Gas Authority	Government, on opinion of Parliamentary committees
Communications Authority	Chairman: Government on opinion of Parliamentary committees Other members: Parliament

Source: Data processed by Ministry of Economy and Finance.

Table 47 - Human and financial resources of Regulatory Authorities

HUMAN RESOURCES		FINANCIAL RESOURCES	
Date	Employment	Year	Total Expenditure (billions of Italian Lire)
The Competition Authority			
31st March 1992	61	1991	10.3
31st March 1993	79	1992	12.3
31st March 1994	107	1993	18.7
31st March 1995	132	1994	23.5
31st March 1996	138	1995	29.5
31st March 1997	146	1996	33.6
31st March 1998	167	1997	34.9
31st March 1999	174	1998	35.0
31st March 2000	172	1999	37.7
31st March 2001	169	2000	39.1
31st March 2002	179	2001	42.1
The Energy and Gas Authority			
30th April 1998	60	1997	12.7
30th April 1999	73	1998	19.1
30th April 2000	80	1999	22.4
30th April 2001	73	2000	22.7
30th April 2002	86	2001	28.9
The Communication Authority			
30th June 2000	178	1999	68.3
30th June 2001	216	2000	84.8
30th June 2002	225	2001	89.7

Source: The Italian Competition, Energy and Gas, and Communication Authorities



Table 48 - Proceedings concluded by the Italian Competition Authority
(at 31st August 2002)

	1990/1995	1996	1997	1998	1999	2000	2001	2002
Concentrations	2154	357	292	344	423	525	616	438
Investigations	19	3	7	2	6	5	6	6
of which: forbidden	4	-	1	-	-	-	2	2
of which: authorised								
under conditions	4	3	5	2	2	4	2	2
of which: withdrawn	1	-	-	-	2	1	2	1
Agreements	130	64	64	54	30	52	43	29
Preliminary investigations	50	23	12	14	12	12	8	5
of which: infringements	30	15	8	11	12	9	3	4
of which: withdrawn	4	1	1	2	-	-	2	-
Abuses	89	52	46	21	15	22	28	12
Preliminary investigations	31	10	5	3	4	7	3	2
of which: infringements	24	7	4	2	3	6	2	2
Infringement of requirement								
to notify concentrations	23	13	-	2	6	5	9	6
Infringement of injunction	3	-	3	1	-	2	2	2
Inquiries	7	3	6	-	1	-	1	-
Reporting and								
consulting activity	58	18	38	42	30	19	17	16
Opinions to the								
Bank of Italy	162	48	50	46	43	50	29	18
Football rights	-	-	-	-	1	1	-	1
Deceptive and								
comparative advertising	594	389	506	468	358	333	289	204
of which, infringements	341	284	361	300	275	266	240	173

Source: The Italian Competition Authority.

Table 49 - Agreements examined by sector of economic activity
(number of investigations concluded)

	2001
Food and beverages	1
Oil industry	3
Chain retailing	1
Cinema	1
Telecommunications	1
Insurance and pension funds	1
Professional and business	1
Total	9

Source: The Italian Competition Authority.



Table 50 - Abuses examined by sector of economic activity, 2001
(number of investigations concluded)

	2001
Transport and vehicle rental	2
Telecommunications	1
Total	3

Source: The Italian Competition Authority.

Table 51 - Reporting and consultation, by sector
(number of cases handled: January 2001-March 2002)

	2001	Jan.-Mar. 2002
Electricity, gas, water	1	2
Oil industry	1	-
Pharmaceuticals	1	-
Transport and vehicle rental	2	1
Printing and publishing	1	-
Telecommunications	3	2
Insurance and pension funds	1	-
Professions, business	5	-
Publicity	1	-
Miscellaneous	1	1
Total	17	6

Source: The Italian Competition Authority.

Table 52 - Privatisations planned and carried out

A) Privatisations carried out Jan.-May 2002

Company	Sector	Offer Date	Offer Type	Percentage of equity	Gross amount raised (in euro)
Cariverona	Finance	Jan. 2002	Private negs.	0.01	325,058
Generali S.p.A.	Finance	Apr. 2002	Odd lots	0.21	74,939,898
INA	Finance	Apr. 2002	Odd lots	0.01	1,168,493
Mediocredito Fondiario					
Centroitalia S.p.A.	Finance	May 2002	Private negs.	3.39	5,619,072
Mediocredito Toscano	Finance	Feb. 2002	Private negs.	6.51	17,754,600
Mediovenezie	Finance	Jan. 2002	Private negs.	0.22	107,814
Total 1st half 2002					99,914,935
Total Feb. 1994 - May 2002					66,562,302,383

B) Privatizations planned

Gross amount to be raised (billions of euros)

Government forecast (EFPD 2003-2006) 20

Source: Ministry of Economy and Finance



Policy indicators - Entrepreneurship and SMEs:

Table 53 - Administrative costs for company registration
(values expressed in euro)

	Company		Sole Trader	
	1998	2000	1998	2000
Administrative costs	7,700	3,500	1,150	500

Source: Ministry for Productive Activities

Table 54 - Number of procedures and time required for business start-up

	Company		Sole Trader	
	1998	2000	1998	2000
Number of procedures	21	5-7 (*)	11	5-7
Number of Government Agencies to contact	4	2 (*)	1	1
Time necessary (number of weeks)	22	4	16	4

(*) Plus a notary.

Source: Ministry for Productive Activities

STRUCTURAL INDICATORS OF INFORMATION SOCIETY

Performance indicators - R&D and innovation:

Table 55 - Number of innovating SMEs
(percentages - year 2000)

Number of employees	Firms endowed of PC	Firms endowed of PC			Firms practicing on-line selling (1999-2000)
		Firms endowed of e-mail	Firms endowed of web site	Firms practicing on-line purchasing (1999-2000)	
INDUSTRY					
1-4	43.5	33.2	14.7	7.0	11.0
5-9	77.4	45.0	21.6	7.1	11.3
10-19	89.1	58.5	30.2	9.4	17.2
20-49	94.8	75.1	48.5	14.4	27.9
50-99	99.2	86.5	62.6	20.1	36.2
Total	56.5	44.6	22.6	8.4	13.9
CONSTRUCTIONS					
1-4	21.9	23.7	6.3	2.4	4.2
5-9	69.9	27.3	12.6	2.4	2.5
10-19	91.0	50.3	10.2	3.4	7.5
20-49	93.9	72.4	25.2	7.7	10.9
50-99	97.5	83.2	40.4	9.8	12.6
Total	29.5	29.5	9.0	2.8	4.5
SERVICES					
1-4	47.5	37.8	10.6	8.9	8.4
5-9	79.0	46.7	20.2	11.7	11.4
10-19	89.6	63.1	30.8	13.6	15.5
20-49	94.9	71.3	41.5	17.0	20.4
50-99	96.6	81.0	50.3	13.0	18.9
Total	50.2	39.8	12.5	9.4	9.0
TOTAL					
1-4	44.1	36.5	10.8	8.3	8.5
5-9	77.1	43.7	19.6	9.1	10.1
10-19	89.5	59.2	27.7	10.2	15.2
20-49	94.8	73.5	43.8	14.6	23.4
50-99	98.2	84.4	56.9	16.9	27.9
Total	48.7	39.9	13.9	8.7	9.5

Source: Istat, Rilevazione sulle piccole e medie imprese e sull'esercizio di arti e professioni (provisional data).



Table 56 - Export of high technology products
(as a percentage of total exports)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Austria	7.9	7.9	8.2	9.2	10.2	9.7	9.9	10.1	11.7	12.7	14.6
Belgium *	4.1	4.2	5.1	5.6	5.5	6.3	6.6	7.1	7.9	8.2	8.2
Danmark	9.6	9.9	9.2	9.7	10.0	7.7	11.8	12.5	13.9	13.5	14.1
Finland	6.0	7.6	9.3	10.8	12.6	14.1	16.4	19.4	20.7	23.5	21.1
France	19.7	19.4	19.2	19.4	19.3	19.3	21.7	22.8	24.0	25.5	25.6
Germany	11.6	11.2	11.3	11.7	11.6	11.7	12.5	13.1	14.2	15.5	15.3
Greece	1.5	1.2	2.1	2.2	3.1	3.0	3.1	4.8	5.0	6.7	5.5
Ireland	27.0	25.3	27.4	29.7	35.0	36.7	37.5	37.7	39.4	41.2	40.8
Italy	7.4	7.7	7.7	7.5	7.4	7.2	6.9	7.4	7.5	8.4	8.6
Luxembourg *	:	:	:	:	:	:	:	:	13.6	17.5	28.1
Netherlands	10.6	11.3	13.5	13.2	15.0	15.4	18.7	19.7	21.9	20.9	21.3
Portugal	3.2	3.1	2.4	3.2	4.6	3.6	3.6	4.0	4.3	5.6	6.8
United Kingdom	18.3	18.0	18.5	19.3	20.9	21.8	21.1	23.2	24.4	25.0	26.5
Spain	6.0	5.7	6.4	6.5	5.6	6.0	5.2	5.5	5.9	6.1	6.0
Sweden	11.7	11.7	11.3	11.1	12.7	14.4	15.5	16.4	17.8	18.7	14.2
UE 15	15.5	15.4	14.7	14.7	15.3	15.5	16.3	17.6	18.9	19.8	19.8
USA	26.1	26.6	25.9	26.2	25.8	26.3	27.4	28.7	30.0	29.8	28.6
Japan	23.3	23.1	23.6	24.4	25.3	24.8	24.9	24.6	25.1	26.9	24.7

(*) Until 1998 Luxembourg is comprised in Belgium's data

Source: Eurostat New Cronos, database "External Trade" - data processed by Ministry of Economy and Finance

Performance indicator - Information society

Table 57 - Internet users
(millions)

	1999	2000	2001	2002 (Q1)	2002 (Q2)
Internet users of which:					
Households	5.02	8.46	12.53	13.09	13.65
Small businesses	1.37	2.01	2.58	2.67	2.71
Medium and large businesses	1.85	2.86	3.72	3.86	3.92
Government and schools	2.57	3.52	4.76	4.9	4.94
Net total	8.2	13.02	17.95	18.72	19.11
Number of online purchasers	0.93	1.83	3.13	1.06	1.1

Source: Federcomin, based on data from International Data Company.

Table 58 - Number of PCs installed and connected
(millions)

	1999	2000	2001	2002 (Q1)	2002 (Q2)
PC linked to Internet	1.92	2.33	3.69	4.01	4.30
PC installed	3.82	4.53	5.12	5.21	5.33

Source: Federcomin, based on data from International Data Company.



Table 59 - Firms use of IT
(percentage share of all firms)

Firm size (no. employees)	Internet link	Intranet	Extranet link	Own website
10 - 49	82	24	4	37
50 - 99	93	44	10	58
100 - 249	96	55	16	61
250 e più	97.8	74.2	28.7	85.2

Source: Istat.

Table 60 - Market value of ICT
(millions of euro)

	1999	2000	2001	2002 (*)
Hardware	5,450	6,053	6,213	2,786
Technical assistance	1,087	1,054	1,018	475
Software and other services	10,303	11,852	13,247	6,852
Total	16,841	18,959	20,478	10,113

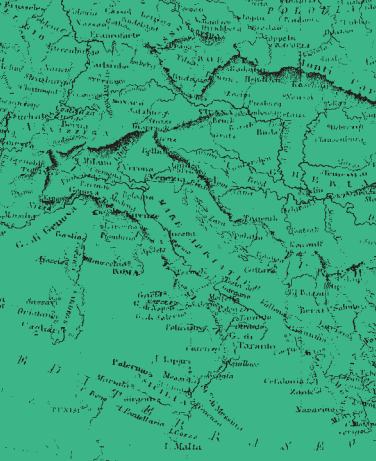
(*) Data refer to 1st half.

Source: Assinform-Net Consulting "Rapporto I semestre 2002 sull'informatica e le telecomunicazioni"

Table 61 - Mobile phones
(number of mobile phone services subscribers for 1000 inhabitants)

	1995	1996	1997	1998	1999	2000	2001	April 2002
France	24	43	99	192	353	502	537	604
Germany	46	71	102	171	283	585	661	656
Italy	69	112	206	355	525	733	786	889
Spain	24	76	109	176	375	612	649	751
Sweden	227	288	362	511	574	753	742	814
United Kingdom	94	117	143	223	410	680	751	777
Western Europe	59	92	143	237	399	629	682	n.a.

Source: Data processed by the Italian Communication Authority



Policy indicators - R&D and innovation

Table 62 - R&D expenditure by public and private sector
(as a percentage of GDP)

Years	Public sector	Private sector
1995	0.21	0.53
1996	0.20	0.54
1997	0.20	0.52
1998	0.22	0.52
1999	0.20	0.51
2000	0.20	0.54
2001 (*)	0.22	0.56

(*) Estimates.

Source: Istat - National Accounts and "Indagine sulla R&S in Italia", 2000.

Table 63 - Full time researchers
(number of full time equivalent units, as a percentage of total labour force)

Years	Public institutions	Universities	Industry
1993	0.058	0.146	0.123
1994	0.060	0.150	0.125
1995	0.061	0.152	0.120
1996	0.060	0.154	0.122
1997	0.060	0.107	0.121
1998	0.059	0.105	0.118
1999	0.059	0.107	0.112
2000	0.061	0.109	0.111

Source: Istat.

Table 64 - Total researchers
(total number of researchers, as a percentage of total labour force)

Years	Public institutions	Universities	Industry
1993	0.075	0.220	0.132
1994	0.081	0.224	0.134
1995	0.083	0.227	0.130
1996	0.085	0.226	0.131
1997	0.083	0.222	0.130
1998	0.080	0.212	0.132
1999	0.078	0.216	0.126
2000	0.079	0.220	0.126

Source: Istat.



Table 65 - Patents registered, by date of filing of application
(percentage of total registered patents in each year)

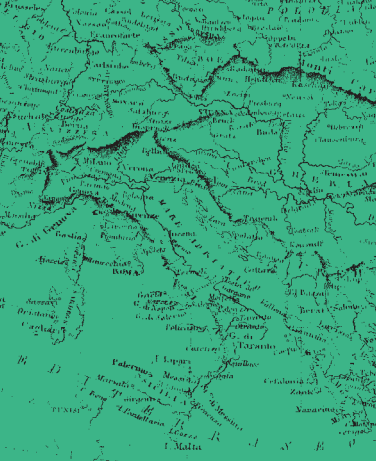
CATEGORIES	Patents registered in 1996				Patents registered in 2000 and 2001											
	Utility	Design	Inven- tion	Trade- mark	Utility			Design			Invention			Trademark		
					2000	2001	2002	2000	2001	2002	2000	2001	2002	2000	2001	2002
Date of filing relative to date of registration:																
more than 6 years before	8.4	5.1	0.7	0.0	8.7	0.6	0.2	1.0	2.4	0.2	0.1	0.5	0.1	0.0	0.1	0.0
6 years before	9.1	24.1	0.3	0.0	37.9	27.5	0.1	41.3	19.0	6.6	0.0	0.4	0.0	0.0	0.1	0.0
5 years before	81.2	69.3	1.4	0.0	26.2	71.5	23.3	50.2	78.0	33.1	0.2	1.2	0.0	0.2	0.1	0.1
4 years before	0.3	0.5	44.5	0.3	0.2	0.1	58.1	7.3	0.3	35.4	1.5	1.6	1.5	0.3	0.7	3.2
3 years before	0.2	0.0	51.9	44.5	25.6	0.1	18.1	0.1	0.2	24.6	5.0	55.9	98.2	52.1	80.2	91.6
2 years before	0.2	0.2	1.1	51.2	1.4	0.1	0.0	0.1	0.1	0.0	93.2	40.2	0.1	42.5	13.1	0.4
1 year before	0.5	0.7	0.0	1.3	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.2	0.0	1.9	2.0	2.8
same year	0.1	0.0	0.0	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	3.0	3.7	1.9

Source: Italian Patent Office - Ministry for Productive Activities, data processed by Ministry of Economy and Finance.

Table 66 - Invention patented, by date of filing of application
(percentage of registered patents in each year)

Date of filing relative to date of registration:	1996	1997	1998	1999	2000	2001	2002
more than 6 years before	0.7	0.5	0.8	1.0	0.1	0.5	0.1
6 years before	0.3	0.2	0.1	0.0	0.0	0.4	0.0
5 years before	1.4	0.9	0.1	0.4	0.2	1.2	0.0
4 years before	44.5	15.7	1.2	0.6	1.5	1.6	1.5
3 years before	51.9	48.2	21.3	2.7	5.0	55.9	98.2
2 years before	1.1	34.6	65.4	91.5	93.2	40.2	0.1
1 year before	0.0	0.0	11.0	3.8	0.0	0.2	0.0
same year	0.0	0.0	0.0	0.0	0.0	0.1	0.0

Source: Italian Patent Office - Ministry for Productive Activities, data processed by Ministry of Economy and Finance.



STRUCTURAL INDICATORS OF CAPITAL MARKET

Capital market structure

Table 67 - Investments in equity by institutional investors relative to GDP
(millions of euros)

Years	Investment fund	Insurance companies	Asset management	Pension fund	TOTAL	GDP at market prices	Total GDP %
1996	18,778	18,289	7,922	1,267	46,256	982,443	4.7
1997	40,481	22,299	13,715	1,307	77,802	1,026,285	7.6
1998	82,837	27,789	18,287	1,589	130,502	1,073,019	12.2
1999	169,932	36,902	33,352	6,440	246,626	1,108,497	22.2
2000	179,449	44,118	31,979	7,102	262,648	1,164,767	22.5
2001	128,939	42,754	28,944	6,693	207,330	1,216,583	17.0

Source: Bank of Italy

Table 68 - Market share of top five banks
(percentage values)

	1996	1997	1998	1999	2000	2001
Market share	34.98	34.51	41.79	51.03	53.35	53.50

Source: Bank of Italy.

Table 69 - Merger patterns in the financial sector

	1996	1997	1998	1999	2000	2001
Acquisition of the majority of stake						
a) national - number of acquired banks	19	21	37	39	28	10
b) cross border - number of acquired banks	5	2	5	3	12	9
Total	24	23	42	42	40	19
Operations of internal acquisitions	19	19	23	28	24	9

Source: Bank of Italy



Table 70 - Main indicators of the Italian Stock Exchange market capitalisation

Years	Listed Companies			Capitalisation		Turnover		
	Main Exchange	Nuovo Mercato	Parallel Market for small cap companies	Total	Total Amount in (Euro bn)	(% GDP)	Total value (Euro bn)	Daily average turnover (Euro mln)(*)
1990	229	-	37	266	94	13.8	27	108
1991	231	-	41	272	99	13.3	16	66
1992	229	-	37	266	96	12.2	18	71
1993	222	-	37	259	128	15.9	54	212
1994	223	-	37	260	156	18.2	98	392
1995	221	-	33	254	172	18.6	73	292
1996	217	-	31	248	203	20.6	81	322
1997	213	-	26	239	315	30.7	175	697
1998	223	-	20	243	485	45.4	425	1,681
1999	247	6	17	270	726	66.1	507	2,009
2000	242	40	15	297	818	70.5	869	3,422
2001	237	45	12	294	592	48.5	658	2,611
2002 (*)	236	45	12	293	429	34.3	466	2,453

(*) Data refer to September 2002
Source: Borsa Italiana S.p.A.

Capital market integration

Table 71 - Cross-border banking penetration

(Italian banks' and investment funds' assets and liabilities as percentage of total)

	1996	1997	1998	1999	2000	2001	2002(*)
Cross-border assets	11.0	11.1	12.4	11.2	10.9	9.6	10.1
Cross-border liabilities	12.9	13.6	14.5	14.7	15.3	15.3	14.5

(*) Data as at the end of June 2002.
Source: Bank of Italy.



Tabella 72 - Percentage of foreign equities in domestic portfolios

Years	Foreign equities	Shares of foreign investment funds	T o t a l
1996	2.5	0.4	2.9
1997	3.6	0.6	4.1
1998	4.6	0.6	5.2
1999	7.2	0.9	8.0
2000	7.8	1.0	8.8
2001	7.1	1.1	8.2

Source: Bank of Italy.

SME and innnovation financing

Tabella 73 - Venture Capital investments

	1996	1997	1998	1999	2000	2001
Amount of investments as a percentage of total investments						
Seed - Start-up	8.9	12.2	15.8	8.3	18.2	13.3
Expansion	43.4	26.4	36.2	22.1	32.6	34.1
Capital replacement	17.5	29.0	13.8	4.8	3.3	6.1
Buy-out	30.2	32.4	34.2	64.8	45.9	46.4
Number of investments as a percentage of total investments						
Seed - Start-up	-	39.7	36.3	41.0	52.5	45.4
Expansion	-	35.0	35.5	33.2	36.4	38.0
Capital replacement	-	13.7	13.5	8.3	2.9	10.4
Buy-out	-	11.5	14.7	17.4	8.2	6.1

Source: AIFI.



METHODOLOGICAL NOTES

Table 1

Intra-EU and total trade

The intra-EU trade indicator is the ratio of intra-EU imports (*cif*) plus intra-EU exports (*fob*) to twice the GDP at market prices (current prices). The total trade indicator is the ratio of total imports (*cif*) plus total exports (*fob*) to twice the GDP at market prices (current prices).

Table 2

Cross-border mergers and acquisitions

Mergers and acquisitions of each Member State are expressed as a share of the total value of EU15 international mergers and acquisitions. Data are weighted with each country's share of total GDP for the EU15 members (at market prices, in millions of euros).

Table 3

Harmonised index of consumer prices

The table compares annual average indices (1996=100) in Italy and other European countries. The indices are computed using a harmonised methodology that follows a minimum standard approach set at European level.

Table 4

Level of labour productivity

Both indices are calculated setting the EU15 average equal to 100. Output per hour worked is the ratio of GDP at purchasing power parity (PPP) to total number of hours worked. Output per worker is the ratio of GDP at purchasing power parity (PPP) to the total number of persons employed. Employed persons includes both payroll employees and self-employment. Payroll employees means persons engaged by an employer under a contract of employment, public employees, the armed forces, and owners of corporations and quasi-corporations if they work in their enterprises. Persons temporarily not at work due to illness, injury, holiday, strike, or training leave are considered as employed. The definitions are consistent with those of the ILO.

Table 5

Profitability

Indices of profitability take base 1995=100 and are seasonally adjusted. Unit variable costs are calculated as the ratio of labour costs plus other inputs to output at factor costs (1995 prices). Mark-up is calculated as the ratio of the output deflator to unit variable costs. The time series has been revised on the basis of the national accounts data using SEC95.

Table 6

Net electricity generation

Net generation is calculated as gross production less ancillary services and electricity generated for self-consumption. It includes power from plants under CIP 6 conventions. From 1 January



2002 onwards, Geval becomes GVA. 38.19% of ENI's power generation goes for consumption by ENI Group companies. Before the 2001 disposal, Elettrogen generated 11,274 GWH.

Table 7

Electricity sales

Data processed by the Italian Electricity and Gas Authority using statistics provided by the National Transmission System Operator (GRTN) and generating companies' balance sheets. Sales include imports.

Table 8

Market shares in gas sector

Data on sales and final consumption are processed by the Electricity and Gas Authority, using data from the Ministry for Productive Activities and gas companies.

Tables 9 and 10

Electricity prices

Prices net of taxes at 1 January 2002. They are given in euro-cents per kWh for various amounts of annual consumption. EU average is weighted with 1999 national consumption in each Member State.

Tables 11 and 12

Gas prices

Prices net of taxes at 1 January 2002 (euro-cents/cubic meter) for various amounts of annual consumption in GJ (one Gigajoule = 26 m³). EU average is weighted with 2000 national consumption in each Member State.

Table 14

Water tariffs in some districts

For the main districts tariffs for aqueduct, sewage and water treatment services are shown. The average tariff for the entire cycle (potable water, sewage, water treatment) is calculated for an annual consumption of 200 m³, including fixed charge and net of VAT. This tariff is calculated considering the tariff structure of each municipality, adding all the components (potable water, sewage, water treatment) and dividing by the average annual consumption of 200 cubic meters. Total per capita consumption is obtained by dividing the average total tariff income by the number of inhabitants in each province and the number of days.

Table 15

Price trend in postal services

Harmonised index of postal service prices (base 1996= 100) in Italy and in the other EU countries. Comparison between countries refers to trends only, as the actual prices taken as reference in the base year were different.

**Table 17****Telecom Italia charges: effects of the tariffs rebalancing**

The table shows the effects on Telecom Italia charges in terms of variation in total expenditure between 2000 and 2001. The charges used are Telecom Italia's "standard" charges in effect in December 2001. They thus exclude charges for personalised plans. Call volumes used to calculate expense for each group of services are those for 1999. The cost for hook-up is based on number of subscribers.

Table 18**Incumbent's telephone charges**

The table shows Telecom Italia charges for 3 minutes, fixed-to-fixed. For 1998-2001, values in liras; for 2002, both lira and euro cents. They include the fixed connection charge and are net of VAT. Starting from 2002 incumbent international charges are independent from calling hour.

Table 19**Telephone charges of major operators**

Telephone charges of the four national providers, net of VAT.

Local charges of Telecom Italia, Tiscali and E-Planet include 5.16 euro cents for fixed connection charge. Infostrada charges include 5.17 euro cents for fixed connect charge. Telecom Italia's long distance charges (for calls at distances greater than 15 km) include 6.56 euro cents for fixed connection charge. Tiscali and Infostrada long distance charges include 6.46 euro cents fixed connection charge.

Telecom Italia's international charges include 30.98 euro cents for fixed connection charge, those of Infostrada 15.50 euro cents, those of Tiscali 15.49 euro cents.

The per-minute rate for calls from fixed to mobile phones of Telecom Italia are the average of the prices for calls to the various mobile phone service providers and include a fixed connection charge of 6.56 euro cents. The fixed connection charge of these operators varies: 12.49 euro cents for Tiscali, 5.16 euro cents for E-Planet, 10.42 euro cents for Infostrada.

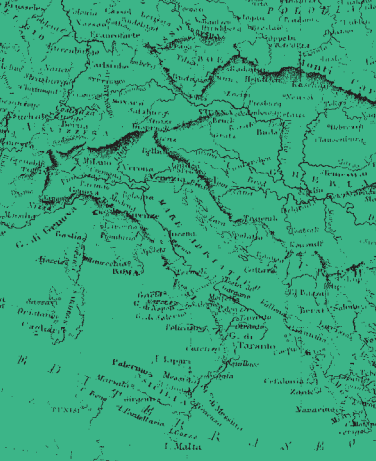
Table 21**Competition in fixed and mobile telephony**

The Herfindahl - Hirschmann index is calculated as the sum of the squares of the market shares of the firms in each sector. A reduction in the index indicates an increase in the level of competition.

OLO1 means Albacom, Tele2 and Wind. OLO2 means Atlanet, Colt, Edisonetel, E-Planet, Tastweb and Tiscali.

Table 27**Issue of railway licenses**

Licences are issued by the competent Member State authorities and are valid throughout the EU. They entail the railway operator to manage international services of freight and passenger transportation. The licences are issued to international associations and railway enterprises that are established in Italy and that operate combined freight transport. To operate one must also have the Safety Certificate issued by the railway network operator.

**Table 28****Electricity: long unplanned outages in ENEL grid serving households**

The incumbent is ENEL S.p.A. The new classification introduced by the Authority in 1999 replaces the previous one involving the distinction between rural and urban users. Data come from ENEL's reports to the Electricity and Gas Authority. Data for 1999 exclude territories for which the data are considered unreliable.

Table 30**Services standards under service charters and those set by the Authority in the electricity sector**

The standards of commercial quality, defined by the deliberation 201/99 of Energy Authority, are operative since 1st July 2000. The quality standards laid down in the various service charters exclude those for maximum time (in working days) to restore service following suspension for non-payment. The quality standards set by the Electricity and Gas Authority exclude maximum time (in weekdays) to restore service following suspension for non-payment.

Table 34**Electricity: average time necessary for each kind of service**

Actual time - weighted average.

For 2000, ENEL data include Valdis/Deval (a separate company division that operates in Val D'Aosta); local distributors are those with more than 5,000 users. Only the data for the new standards that went into effect on 1st July 2001 are available. The data are taken from statements of the electricity companies to the Authority.

Table 35**Gas: average time necessary for each kind of service**

Actual time - weighted average.

Data are taken from statements of the gas suppliers to the Authority.

Table 39**Local public services: efficiency indicators**

In each sector, revenues from sales and services are divided by the number of users (in transport are passengers). In waste disposal, revenues are divided by number of tons collected. For each sector, production costs are divided by number of employees.

Table 44**Profitability in the distribution sector**

Data refer to wholesale and retail trade and repair services. Annual index, base 1995=100. Mark-up is calculated as the ratio of output deflator to unit variable costs. Unit variable costs are the sum of labour and other input costs as a ratio to output at factor costs (1995 prices).

**Table 47****Human and financial resources of Regulatory Authorities**

Time series availability depends on the date of institution of each Authority.

Table 52**Privatisations planned and carried out**

Recent privatisations, with information on: the enterprises privatised, the government unit making the disposal, economic sector, date of offering, type of offering, gross proceeds (in billions of lire) and the percentage of equity sold. Also, gross proceeds forecast for 2003-2006 (in billions of euros).

Table 54**Number of procedures and time required for business start-up**

Total number of procedures required and amount of time taken to start up a sole proprietorship or a company. The comparison is for the years 1998-2000.

Table 55**Number of innovating SMEs**

Innovating SMEs are defined as those that reported having introduced an innovative technology during the year.

Table 56**Exports of high-technology products**

High-tech exports as a percentage of total manufacturing exports. High-tech products are: television and radio sets; sound and video recorders and players; TV and radio transmitters and apparatus for line telephony and telegraphy; aircraft and spacecraft; instruments and appliances for measuring, checking, testing, navigation and other purposes except industrial process control equipment; pharmaceuticals, medical, chemical and botanical products for medical use; office machinery and computers.

EU15 data exclude intra-EU trade.

EU11 data exclude intra-EU11 trade.

Table 57**Internet users**

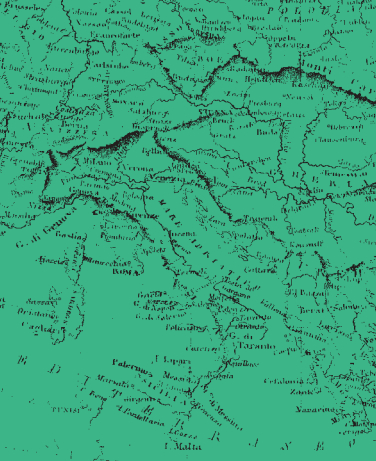
Households: Residential buildings.

Small firms: fewer than 100 employees

SME: more than 100 employees

Public administration and schools: central government departments, local government, schools and libraries.

The total is net of double counting of persons using Internet from more than one access point.

**Table 61****Mobile phones**

Number of mobile phone service subscribers per thousand inhabitants. The figure for April 2002 is ratio of subscribers (supplied by *Mobile Communication*, June 2002) and population (OECD data for 2001).

Table 62**R&D expenditure by public and private sector**

R&D expenditure at current prices (millions of euros) financed by public research centers (excluding universities) and private enterprises, as percentage of GDP at current market prices. Data for 2001 are provisional.

Tables 63 and 64**Full-time researchers and total researchers**

Researchers, whether full-time or part-time, are defined as in-house (*intra muros*) researchers. A full-time equivalent researcher corresponds to the number of hours worked by a full-time employee in the year given, or the equivalent amount of time worked by a part-time worker or a person with more than one job. The concept is thus no longer linked to the actual person doing research work; it is the number of hours or work corresponding to a full-time job.

Tables 65 and 66**Patents and inventions patented, by date of application filing**

All patents registered in each year are classified according to the time elapsing between the filing of the application and the award of the patent; data are the percentage of all patents registered in each year. Bold type marks the most common time classes.

Table 67**Investments in equity by institutional investors relative to GDP**

End-of-period stocks. GDP at current market prices. Pension fund data exclude investment in foreign equities. Through 1998, includes only retirement funds of banks; from 1999 on, includes all pension funds.

Table 69**Merger patterns in the financial sector**

Number of Italian bank mergers in each year (both domestic and cross-border).



Table 70

Main indicators of the Italian Stock Exchange market capitalisation

Time series for listed companies, capitalisation and stock exchange trading volume. Data are for December of each year. The daily average refers to the entire year.

Table 71

Cross-border banking penetration

Italian banks' foreign assets and liabilities as a percentage of total assets and liabilities.

Table 72

Percentage of foreign equities in domestic portfolios

Foreign equities and units of foreign investment funds as a percentage of domestic portfolios.

Table 73

Venture capital investments

Percentage distribution of SME investments, amount and number of investments for each type (as percentage of total).

