



Italian Association
of Toll Motorways
and Tunnels Operators



Italian Toll Motorways Regulation procedures

Estoril, 5th of April 2006

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Italian Association
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Italian Motorway Network operating at 31-12-2005

 Toll Motorway	Km 5.637,8
 Toll free	Km 894,0
Total	Km 6.487,3



AISCAT is the Association that gathers together all the 23 Italian Concessionary Companies for the construction and the management of toll motorways and tunnels



*AISCAT has subscribed
the European Road
Safety Charter*



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CONCESSION SYSTEM IN ITALY: HISTORICAL EVOLUTION

1925 – First application of the concession system for the first stretch of Italian Motorway (Milano Laghi)

1929 - Law 1137/1929: for the first time a law says that private parties can own a concession.





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CONCESSION SYSTEM IN ITALY: HISTORICAL EVOLUTION



1950s – A new regulatory framework built in 1955 allows, between the 50s and the 70s, the construction of the most extended motorway network in Europe at that time.

1971 – after this “expansion” period, a law in 1971 establishes the halt of motorways construction

1990s – The Italian legislator tries to develop a system, concerning motorways, as much as possible in accordance with the EU law regulating the concession issues.

At the end of 1990s, concession contracts are in practical standards, rules are the same for everybody



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TOLL TARIFF : GENERAL FRAMEWORK



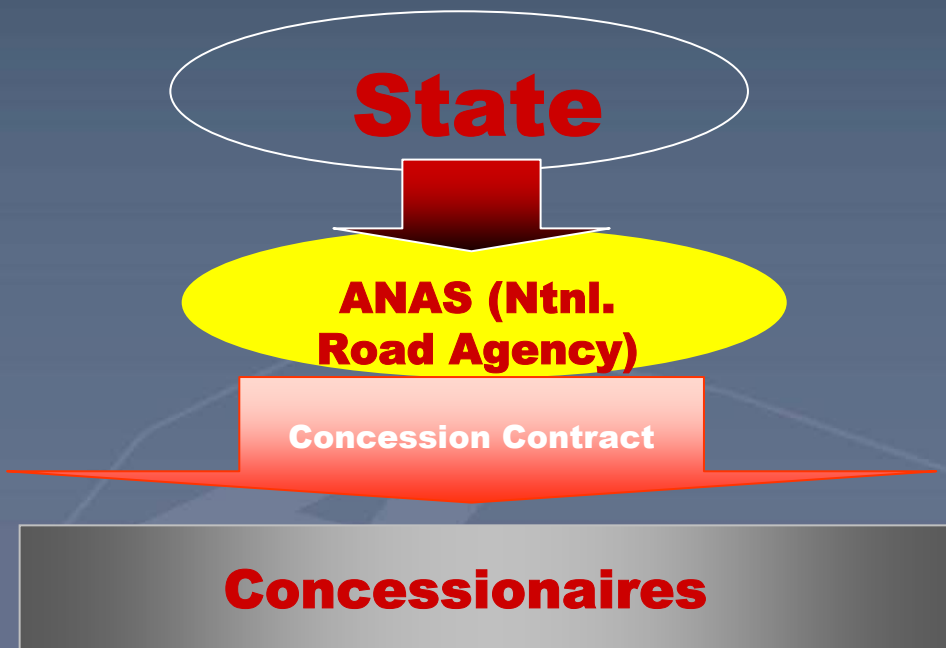
- 1. The toll is the payment by a user for covering the investments on a specific infrastructure.**
- 2. The revenue is directly assigned to a legally independent entity: the concessionaire.**
- 3. The concessionaire is in charge of financing, building, maintaining, and operating the infrastructure.**
- 4. The concession has to be returned at the end of duration.**
- 5. The concession is governed by private law.**

**THE CONTRACTUAL LEGAL FRAMEWORK IS
SOUND AND WELL ESTABLISHED**



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TOLL TARIFF IN PRACTICE:



**EACH COMPONENT/LEVEL HAS ITS OWN RIGHTS
AND DUTIES**



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TOLL TARIFF BASIC PRINCIPLES

- 1. The concession contract establishes the toll tariff per kilometer, which varies according to vehicle type and motorway stretches (plain and mountain).**
- 2. The toll amount is distance (km) related.**
- 3. A “Financial Plan” is an integral part of the concession contract regulating the activities to be undertaken by the Concessionaire.**
- 4. For new concessions, the tariff to be applied to users represents one of the elements of the tender.**
- 5. The tolls paid by users also determine the performance – I.R.R. – of the concession.**



TOLL LEVEL IS A CONTRACTUAL ISSUE



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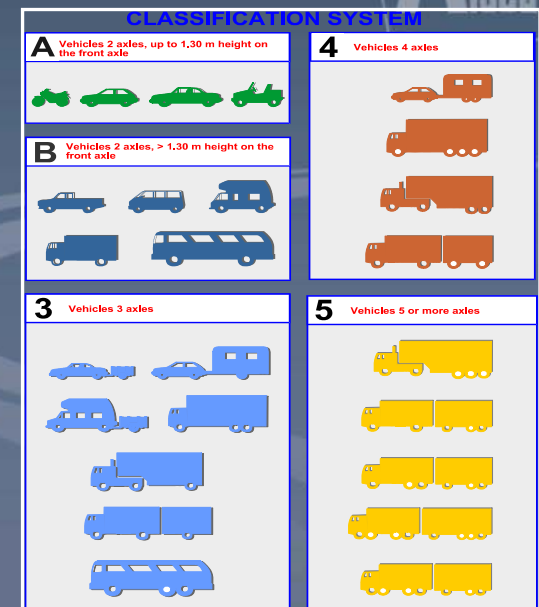
TOLL TARIFF PRINCIPLES APPLICATION

$$\text{€ toll} = (\text{unit tariff (€ per km)} + \text{FCG}) \times \text{km traveled} + \text{VAT}$$

Unit Tariff (€ per km) varies according to:

1. **Vehicle class (A, B, 3, 4, 5)**
2. **Concession, specific typologies of costs (mountain/plain motorway)**

FCG = Central Warranty Fund devolution
(€ 0.00155 per km classes A, B;
€ 0.00465 per km classes 3,4,5)



FEW COMPONENTS – TRANSPARENT APPLICATION



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TOLL TARIFF CALCULATION EXCEPTIONS HANDLING

- 1. The concessionaire is bound to request payment from any vehicle using the motorway.**
- 2. Only exceptions are clearly defined by the ROAD CODE (Police Forces on duty, etc.).**
- 3. Specific additional charges and procedures are defined for Oversize/Overweight vehicles.**
- 4. Toll modulation is also allowed, as a tool that the concessionaire can use for traffic management purposes (though, no major change in the overall revenues is permitted).**

VERY FEW EXCEPTIONS, VERY WELL REGULATED



TOLL TARIFF

UPDATING TOLLS: THE PRICE CAP

Tolls must be annually adjusted using the formula:

$$\Delta T \leq \Delta P - X + \beta * \Delta Q$$

1. ΔT = tariff variation considered;
2. ΔP = Government planned rate of inflation;
3. X = expected rate of productivity, fixed according to the following:
 - fair remuneration of capital invested;
 - expected variations in demand;
 - expected productivity changes;
 - future investments
4. ΔQ = percentage variation of a complex indicator of the quality of the service;
5. β = positive coefficient.

**PARAMETERS COME FROM OBJECTIVE MEASURES
AND CONTRACTUAL NEGOTIATION**



TOLL TARIFF PRICE CAP COMPONENTS DETAILS

X is fixed for a 5 years period (after which it is re-negotiated) and it is a reference figure for all the concessions, but it is modified in case of major specific features (relevant new investments, temporary crisis etc.).

ΔQ results from 2 quality indicators, objective and measured i.e.:

- I_{pav} = pavement and wearing course condition (smoothness, regularity) measured by means of certified machinery and procedures;
- I_s = based on the overall accidents rate (events/100 mio vehic-km) as measured by Road Police.

These parameters are measured every year, since they are among the input values for the yearly tariff update.

SYSTEM BASED ON OBJECTIVITY



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TOLL TARIFF

TOLLS ANNUAL UPDATING PROCEDURES

1. By 30th of September of every year, the concessionaire must inform the grantor (A.N.A.S.) of the updating percentage variation calculated by applying the Price Cap formula.
2. The concessionaire must send to A.N.A.S. all the information on the basis of which the variation has been calculated, including the measurement of all quality indicators, updated to the previous 30 June.



**ANNUAL UPDATE IS NOT SUBJECT TO
AUTHORIZATION, IT IS A CONTRACTUAL
“AUTOMATIC” PROCEDURE**



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TOLL TARIFF

NEW PROPOSAL TO REVIEW THE PRICE-CAP FORMULA



- In **2004** a law was adopted: Italian MIT should submit to CIPE a **proposal aimed at integrating the existing quality standards** indicated in the price-cap formula.
- This proposal follows always the same perspective of improving the quality of services offered by the concessionaire, using always

MEASURABLE, OBJECTIVE and WELL IDENTIFIED PARAMETERS.



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NEW PROPOSAL TO REVIEW THE PRICE-CAP FORMULA



- The first main indicator of the new proposal is related to the **fluidity of traffic at toll stations**, which is a well identified quality parameter.

Therefore the traditional price-cap formula should appear as follows:

$$\Delta T \leq \Delta P - X + \beta \Delta Q + \beta_1 \Delta Q_1$$

Where $\beta_1 \Delta Q_1$ is the new element, the additional parameter related to fluidity of traffic at toll stations.



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NEW PROPOSAL TO REVIEW THE PRICE-CAP FORMULA



- The second element refers to the possibility of creating a **“penalty system”** for the concessionaire for not having respected or fulfilled certain requirements in order to guarantee the efficiency of the infrastructure he is in charge of.
- The different parameters included in this system are related to: **road signs, safety barriers, lights, surfaces, and even traffic bans caused by winter events.**
- The consequent formula applied will be:

$$\Delta T_{\text{eff}} = \Delta T - \Delta T^*$$

On the basis of this system, the “penalties” will be deducted from the annual tariff increasing, as a negative element of the concessionaire’s performance.



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NEW PROPOSAL TO REVIEW THE PRICE-CAP FORMULA

Penalties system + fluidity of traffic at toll stations have
the same objective,

find a balance between:

**a) The legitimate right of the concessionaire to look for
productivity and rationalization of the costs**

and

**b) the interest of all the users, in terms of safety and quality
on the toll motorways network.**



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