

1. Macro-economic (inflation)						
Forecast		2010 A	2011	2012	2013	2014
	Forecast Inflation					
	IMF forecast	1.95%	2.13%	2.00%	2.00%	
Comments	<p>Italy adopts the IMF April 2011 Outlook.</p> <p><i>ENAC Note; The inflation forecast are shifted of one year and the correct actual value for 2010 A is 1,64%.</i></p>					

2. Traffic					
Forecast		2011	2012	2013	2014
	ECTL	8,546	8,643	8,878	9.165
	Base ref.	-0.9%	+1.1	+2.7	+3.2%
	FC total				
	SU (in %)				
Comments	<p>Italy adopts the ECTL SUF update of May 2011.</p> <p>It is recognised that the N African/Libyan crisis has significantly impacted Italian traffic – the previous SUF Feb 2011 forecast was +3.5% for 2011 and +2.8% for 2012. In our view however this is a short-term problem as traffic will clearly quickly rebound with resolution of the Libya situation.</p> <p>Italy proposes revised targets for any variation higher than 4.5% (instead of recommended 10% alert threshold) on the forecast level of traffic. While we are aware this is permitted within Article 18 Para 3, we have not been provided the detailed necessary justification or evidence. Note that Italy could already have initiated the proposed Alert mechanism as a result of the N African situation.</p> <p><i>A: Even during the rulemaking procedure Italy commented that a 10% threshold was too high, since such a deviation from anticipated traffic means dramatic consequences on aviation industry. The 4.5% threshold is the limit at which the ANSP must review its strategy, otherwise financial consequences may become serious. Obviously, the revision process does not mean –in itself- that something will be changed, only that a review process is started.</i></p>				
+3. Safety					
Proposed Targets	<p>Italy has a proactive safety dimension which is:            To Achieve: Zero tolerability of ATM contribution to an aircraft accident and provision of safe ATM.            Tend to: Zero ATM induced risk-bearing air traffic incident by not exceeding agreed thresholds.            Deploy: Agreed yearly improvement rates of risk index.</p>				
Comments	<p>While Italy claims a proactive safety dimension and monitors safety framework maturity and SMS Maturity approach, it is not clear what the actual targets or levels are.</p>				

	<p><i>A: Presentation showed in Rome contained also quantitative targets for the three parameters and the results of monitoring since 2007 of occurrences. Safety Maturity of ENAV (a new evaluation has been done by an independent firm in the framework of Blue Med) showed ENAV at maximum level. Rate of occurrences shows no adverse trend, but it is still influenced by the method to assess the severity of events. Italy strongly supports the adoption of RAT for the severity evaluation, and the adoption of European Indexes in the RP2</i></p>
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4. Capacity					
<b>Proposed Targets</b>		2011	2012	2013	2014
	Proposed targets		0.14	0.14	0.12
	PRB ref. values		0.14	0.14	0.12
<b>Comments</b>	<p>As acknowledged by ACE 2009 Italy has made significant and continuous service quality improvement.</p> <p>National targets are fully in line with ECTL reference values.</p> <p>We are however totally opposed to the proposal for a 1% bonus of the determined costs of the ANSP for each year when the declared capacity target has been achieved. We would not support this even if the incentive was symmetrical, given that in our view this is contrary to the incentive spirit or purposes of the Performance Scheme, and we believe all EC targets should be achieved as a minimum in line with the determined costs.</p> <p><i>A: The position of IATA is noted. Italy believes that a philosophy of incentives put in place by the Commission with the new Regulation, is a balanced approach to the capacity/ cost-efficiency performance. The incentive proposed in the NPP has both a bonus and a penalty</i></p> <p>Article 18 Para 3 of the performance Regulation recommends States adopt a 10% Alert threshold on the forecasted level of traffic. Italy however proposes to revise targets for any variation higher than 4.5%. We do not support this revised threshold proposal as the necessary detailed justification has not been provided.</p> <p><i>A: a 10% threshold would trigger the alert too late. Italy believes that some re-evaluation of the target should already happen around + or - 4%. Even a positive situation (increase of traffic) would require strategic actions in order to avoid explosion of delays.</i></p>				

## 5. Environment

<b>Proposed Targets</b>	On an annual basis ENAV publish a comprehensive 3-yearly Flight Efficiency Plan (FEP) in line with the 5 action points within the CANSO/IATA & ECTL FEP.
<b>Comments</b>	The ENAV FEP details achievements and targets in terms of Kms, Kg fuel and Kg CO <sub>2</sub> , with regard to en route airspace design, airspace use and network availability, design and use of terminal areas, and airport operations. For airport operations the achievements and targets are Minutes Taxi Time in addition to Kg fuel and Kg CO <sub>2</sub> .

## 6. Cost-Effectiveness

<b>Proposed Targets</b>		2011	2012	2013	2014
	Determined Real Costs	631,129	643,777	654,365	666,218
	DUR (EUR 2009)	73.79	74.42	73.64	72.62
	%				
<b>Comments</b>	<p>The original Italian draft NPP proposed an average efficiency improvement of -3.5% p.a. 2009-14 and -3.2 p.a.2011-14 which was in line with the EC-wide target.</p> <p>However, following the significant impact of the Libyan crisis on forecast traffic, together with an increase in ECTL costs and a decrease in Military costs, the revised average efficiency improvement is now proposed at -2.2% p.a. 2009-14 and -2.5% p.a. 2011-14.</p> <p>We have urged Italy to achieve the EC-wide target by adoption of:</p> <ul style="list-style-type: none"> <li>• Use of most optimistic possible traffic forecast on assumption that Libyan crisis will be resolved sooner rather than later.</li> <li>• Immediate cost-constraint and efficiency improvement measures to compensate for the cost increase.</li> </ul> <p>While recognizing that cost of capital is relatively low at 2.5%, we suggest Government should be requested to temporarily remove this altogether to compensate for the temporary traffic downturn.</p> <p><i>A: Due to Libyan crises, Italy seems to be the only European State to show a sharp decrease of revenues, while movements are increasing. This last condition makes impossible any tactical action to cut costs. On the other hand, a sudden end of the crises would carry the traffic to the previous levels or even more.</i></p> <p><i>Therefore Italy proposes to review the situation after summer, with a view to realign the traffic forecast on more positive scenarios following a resolution of the crises.</i></p> <p><i>It is important to underline that:</i></p> <ul style="list-style-type: none"> <li>• <i>the costs exposed are expressed in nominal terms (and therefore differ from the ones in real terms used for the calculation of the DUR),</i></li> <li>• <i>the service units considered are calculated on the basis of the variations exposed in the SUF May 2011, on the values considered in ENAV balance sheet starting from 2010, therefore the national DUR will be:</i> <ul style="list-style-type: none"> <li>○ 71,20€ for 2011,</li> <li>○ 70,31€ for 2012,</li> <li>○ 68,21€ for 2013,</li> <li>○ 65,96€ for 2014.</li> </ul> </li> </ul>				

7. Investments					
Forecast		2011	2012	2013	2014
	EUR m	136,000	137,000	130,000	115,000
Comments	<p>Italy provided a basic plan up to 2015, broken down between seven domains. However, there is no indication of the necessary linkage to either IP1 or SESAR, or to the benefits/value to be achieved. Basic CBA or business cases should be provided together with indication of user involvement in the investment plan process.</p> <p><i>A: The final edition of the plan includes the linkage to IP1 and SESAR, and all the detailed information related to the Investment Plan.</i></p> <p><i>It is to be noted that Italy is one of the few Member States which is complying with the SES deadlines for equipment.</i></p> <p><i>For SESAR related investments, the general CBA should be performed by the SEASR JU at European level.</i></p>				

8. Summary
<p>Italy is taking robust safety and environmental measures, and is achieving the ECTL/CFMU reference values for capacity/delays.</p> <p>While we recognise the adverse impact of the Libyan situation on traffic which has reduced the originally proposed cost-effectiveness target from 3.5% to 2.5% p.a. 2011-14, we do not accept the Italian view there are no control leverages available to the State or the ANSP. We believe this is a short-term temporary issue that should be managed by the State and the ANSP</p> <p>Italy should still achieve the EC-wide cost-effectiveness target through adoption of a number of possible measures including:</p> <ul style="list-style-type: none"> <li>• Use of more optimistic traffic forecast reflecting the anticipated short-term nature of the Libyan situation.</li> <li>• Immediate application of cost-constraint, efficiency improvements and delayed spending to compensate for temporary traffic downturn.</li> <li>• Government temporary removal of cost of capital requirement.</li> <li>• Reintroduction of equalisation/stabilisation fund by Government in recognition of the importance of civil aviation to the economy.</li> </ul> <p>We do not support the proposals for a 1% bonus of determined costs to the ANSP for each year that the capacity target has been achieved. This undermines the purpose of the Performance Scheme to incentivise ATM performance, and could only be considered against a specific mechanism including penalties for non-achievement.</p> <p>In our view the required detailed justification under Article 18 Para 3 has not been provided for the proposed 4.5% traffic variation level.</p>