

1. Macro-economic (inflation)						
Forecast		2010 A	2011	2012	2013	2014
	Forecast Inflation					
	IMF forecast	1.95%	2.13%	2.00%	2.00%	
Comments	Italy adopts the IMF April 2011 Outlook.					

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>				
+3. Safety					
Proposed Targets	<p>Italy has a proactive safety dimension which is:</p> <p>To Achieve: Zero tolerability of ATM contribution to an aircraft accident and provision of safe ATM.</p> <p>Tend to: Zero ATM induced risk-bearing air traffic incident by not exceeding agreed thresholds.</p> <p>Deploy: Agreed yearly improvement rates of risk index.</p>				
Comments	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.				

4. Capacity					
Proposed Targets		2011	2012	2013	2014
	Proposed targets		0.14	0.14	0.12
	PRB ref. values		0.14	0.14	0.12

Comments	<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>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>
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5. Environment

Proposed Targets	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.
Comments	The ENAV FEP details achievements and targets in terms of Kms, Kg fuel and Kg CO ₂ , 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 ₂ .

6. Cost-Effectiveness

Proposed Targets		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
	%				
Comments	<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"> • Use of most optimistic possible traffic forecast on assumption that Libyan crisis will be resolved sooner rather than later. • Immediate cost-constraint and efficiency improvement measures to compensate for the cost increase. <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</p>				

	compensate for the temporary traffic downturn.
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7. Investments					
Forecast		2011	2012	2013	2014
	EUR m	136,000	137,000	130,000	115,000
Comments	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.				

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"> • Use of more optimistic traffic forecast reflecting the anticipated short-term nature of the Libyan situation. • Immediate application of cost-constraint, efficiency improvements and delayed spending to compensate for temporary traffic downturn. • Government temporary removal of cost of capital requirement. • Reintroduction of equalisation/stabilisation fund by Government in recognition of the importance of civil aviation to the economy. <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>