EUROPEAN COMMISSION

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In the published version of this decision, some information has been omitted, pursuant to articles 30 and 31 of Council Regulation (EU) 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union, concerning non-disclosure of information covered by professional secrecy. The omissions are shown thus […]		PUBLIC VERSION This document is made available for information purposes only.

Subject: **State Aid SA.55270 (2020/N) –** *Italy*
State compensations granted to Poste Italiane SpA for the delivery of the universal postal service for the period 2020-2024

Sir,

1. THE PROCEDURE

(1) On 16 October 2020, after pre-notification contacts with the Commission,[1] Italy notified the compensation the Italian authorities intend to grant to Poste Italiane SpA for discharging the universal postal service obligation (hereinafter "USO")

[1] On 5 September 2019, Italy submitted a pre-notification concerning compensation for the universal postal service obligations to be granted to Poste Italiane SpA for the period 2020-2024. On 18 September 2019, the services of DG Competition requested further clarifications, to which the Italian authorities replied on 30 September 2019. On 17 October and 13 November 2019, the services of DG Competition requested clarifications to the information provided by Italy on 30 September 2019, to which the Italian authorities replied on 4 and 27 November 2019. On 10 February 2020, the services of DG Competition and the Italian authorities held a meeting. Following the meeting, on 13 February 2020 the services of DG Competition sent further questions to the Italian authorities. The Italian authorities provided responses to the questions asked by the services of DG Competition on 13 February with submissions of 5 March, 23 March, 11 April, 24 April, 16 July and 30 July 2020. The Commission services requested clarifications to the Italian authorities with further requests on 26 March, 16 April and 27 July 2020.

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during the period 2020-2024 on the basis of the Programme Contract concluded between Italy and Poste Italiane for that period.

(2) By letter dated 15 October 2020, Italy has accepted exceptionally that the decision be adopted and notified in English, for reasons of urgency.

2. DESCRIPTION

2.1. The beneficiary and the context in which it operates

(3) Poste Italiane (hereinafter "PI") is the main postal operator in Italy and had 125,894 full time equivalent employees, 12,809 post offices and a turnover of EUR 9,403 million in 2019[2]. In addition to providing core postal services, PI offers integrated products, as well as communication, logistic and financial services all over Italy.

(4) The main services delivered by PI as well as the corresponding turnover for the period 2015-2019 are presented in Table 1:

Table 1: PI's activities and revenues

		PI revenues (EUR million)				
Activities	**Description**	**2015**	**2016**	**2017**	**2018**	**2019**
Postal Services	Unregistered mail Registered mail Services for Publishers Parcels and Express Courier	3 044	3 032	2 879	2 925	2 929
Financial Services	Current accounts Saving, financing and investment products	5 087	5 114	5 106	5 419	5 435
Other revenues	Other revenues	74	73	75	75	177
Revenues from sales and services		8 205	8 219	8 060	8 419	8 541
Other income from financial activities	Other income from financial activities	433	599	646	418	384
Other operating income	Other operating income	399	478	584	452	478
Total revenues		**9 037**	**9 295**	**9 290**	**9 289**	**9 403**

Source: Poste Italiane

(5) Most of the postal services delivered by PI are part of the universal postal service (USO) which has been entrusted to PI since 1999[3].

[2] PI's Annual Report 2019.

[3] The Commission has already approved State compensation granted to PI for the delivery of the USO. See, inter alia, C(2015) 8545 final, State Aid SA.43243 (2015/N) – Italy State compensations granted to

(6) PI was partly privatised in 2015. On 27 October 2015, 38.2% of PI's shares started trading on the Milan stock exchange, with the State retaining the remainder (i.e. 61.8%). As of 31 December 2019, PI was controlled by the Italian Ministry of Economy and Finance ("MEF"), which holds 64.3% of the share capital, including a direct 29.3% interest and an indirect 35% interest through Cassa Depositi e Prestiti SpA, which in turn is controlled by the MEF.

2.2. The universal postal service entrusted to PI

(7) PI has been entrusted with the universal postal service obligation (USO), from 1999 to 2026 through Law Decree n. 261/1999 of 22 July 1999,[4] as lastly amended by Law Decree n. 58/2011 of 31 March 2011[5]. Law Decree n. 58/2011 transposed Directive 2008/6/EC[6]. The provisions of Law Decree n. 261/1999 are complemented by Programme Contracts concluded between the Ministry of Economic Development and PI such as "the 2020-2024 Programme Contract"[7].

(8) Pursuant to Article 3 of Law Decree n. 261/1999, the USO has the same scope as in the Postal Services Directive 97/67/EC as amended[8] (the Postal Services Directive) and includes:

- the clearance, sorting, transport and distribution of postal items up to 2 kg;
- the clearance, sorting, transport and distribution of postal packages up to 20 kg;
- services for registered items and insured items.

2.3. The notified measures and the compensation mechanism for the USO

(9) The notified measure is the public financing for the delivery of the USO by PI over the period 2020-2024 that will be granted on the basis of the 2020-2024 Programme Contract.

(10) Other than the notified measure, Law Decree n. 261/1999 and the 2020-2024 Programme Contract for 2020-2024 also mention that a compensation fund might possibly be used to compensate PI for the delivery of the universal service.

Poste Italiane SpA for the delivery of the universal postal service over the periods 2012-2015 and 2016-2019.

4 Law Decree of 22 July 1999, n. 261, Attuazione della direttiva 97/67/CE concernente regole comuni per lo sviluppo del mercato interno dei servizi postali comunitari e per il miglioramento della qualità del servizio, OJ n.182 of 5 August 1999.

5 Law Decree of 31 March 2011, n. 58, Attuazione della direttiva 2008/6/CE che modifica la direttiva 97/67/CE, per quanto riguarda il pieno completamento del mercato interno dei servizi postali della Comunità. (11G0099), OJ n.98 of 29 April 2011.

6 Directive 2008/6/EC of the European Parliament and of the Council of 20 February 2008 amending Directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services (OJ L 52, 27.2.2008, p. 3–20).

7 The 2020-2024 Programme Contract regulates the relationships between the Italian State and PI as regards the provision of USO services pursuant to Law Decree n. 261/1999 and was signed between the Italian Ministry of Economic Development and PI on 30 December 2019.

8 Directive 97/67/EC, as amended by Directives 2002/39/EC and 2008/6/EC.

However, the Italian authorities confirmed that the current notification does not concern such a compensation fund.

(11) The compensation mechanism of the USO, through the notified measure, comprises the following steps:

- Step 1: the Italian government determines the maximum amount of public financing it wants to grant to PI per year (currently laid down in Law n. 190/2014 of 23 December 2014, the "Stability Law");
- Step 2: PI calculates the net cost of the USO by using the net avoided cost (hereinafter "NAC") methodology and submits its calculations to the national regulatory authority (NRA) for verification;
- Step 3: the NRA (the *Autorità per le Garanzie nelle Comunicazioni*, hereinafter "AGCOM") performs the *ex post* verification (see previous step) on the net cost calculated by PI to determine the burden of the USO using the NAC methodology;
- Step 4: in line with the requirements of the Postal Services Directive, AGCOM then assesses whether the net cost of the USO represents an unfair financial burden which is excessive for PI to bear;
- Step 5: if the net cost of the USO is considered to be an unfair financial burden, the public financing can be granted to the extent that it does not exceed the net cost for USO as determined by AGCOM;

(12) The maximum amount of public service compensation granted by the State for the provision of the USO has been set at EUR 262.4 million per year by Article 1(274)(b) of the Stability Law. As a result, Italy intends to grant a total amount of State compensation for the USO to PI of maximum EUR 1,312 million over the period 2020-2024.

(13) The Commission has previously assessed the compatibility with the internal market of the State compensation granted to PI for the delivery of the USO:

- over the period 2000-2005 in its decision of 26 September 2006 concerning the State aid case NN51/06[9] (hereinafter "the 2006 decision");
- over the period 2006-2008 in its decision of 30 April 2008 concerning the State aid case NN24/08[10] (hereinafter "the 2008 decision");
- over the period 2009-2011 in its decision of 20 November 2012 concerning the State aid case SA.33989[11] (hereinafter "the 2012 decision");

[9] OJ C291 of 30.11.2006: State aid case NN 51/06 – Italy Poste Italiane SpA - State compensation for universal postal service obligations 2000-2005.

[10] OJ C145 of 11.06.2008: State aid case NN 24/08 – Italy Poste Italiane SpA - State compensation for universal postal service obligations 2006-2008.

[11] OJ C77 of 15.03.2013: State aid case SA.33989 – Italy Poste Italiane SpA - State compensations for the delivery of the universal service over 2009-2011 and State compensations for reduced tariffs offered to publishers, not-for-profit organisations and electoral candidates over 2009-2011.

- over the periods 2012-2015 and 2016-2019 in its decision of 4 December 2015 concerning the State aid case SA. 43243[12] (hereinafter "the 2015 decision").

(14) The Commission has also recently assessed the compatibility with the internal market of the State compensation granted to PI for reduced tariffs offered to publishers and not-for-profit organisations over the period 2017-2019 (decision of 22 July 2019, hereinafter "the 2019 decision")[13].

3. EXISTENCE OF AID

(15) According to Article 107(1) TFEU, "*any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market*".

(16) It follows that, in order for a financial measure to be qualified as State aid within the meaning of Article 107(1) TFEU, the following four cumulative conditions have to be met: i) it has to be imputable to the Member State and granted out of State resources, ii) it has to confer an economic advantage to undertakings, iii) the advantage has to be selective, and iv) the measure has to distort or threaten to distort competition and affect trade between Member States.

3.1.1. Imputability and State resources

(17) In order to be qualified as State aid, a measure must be imputable to the State and granted directly or indirectly by means of State resources.

(18) The compensation for the delivery of the USO are paid by the State from its own budget. Specific decrees (see recital (12)) and the 2020-2024 Programme Contract concluded between the State (the Ministry of Economic Development) and PI are the bases for the granting of that compensation.

(19) Therefore, the compensation granted to PI for discharging its universal postal service obligations are imputable to the State and are given through State resources.

3.1.2. Selectivity

(20) In order to be qualified as State aid, a financial measure must be selective.

(21) The compensation for the delivery of the universal postal service is granted exclusively to PI. Given that the present case concerns an individual aid measure, the economic advantage (see recital (12)) is sufficient to support the presumption

[12] OJ C104, 18 March 2016: State Aid SA.43243 (2015/N) – Italy State compensations granted to Poste Italiane SpA for the delivery of the universal postal service over the periods 2012-2015 and 2016-2019,C(2015) 8545 final.

[13] OJ C 388, 15 November 2019: State aid SA.48492 (2019/NN) – Italy State compensations for reduced tariffs offered to publishers and not-for-profit organizations over the period 2017-2019.

that the measure is selective[14]. Hence, the measure is selective within the meaning of Article 107(1) TFEU.

3.1.3. Economic advantage

(22) To constitute State aid, a measure must confer on recipients an economic advantage.

(23) The Commission recalls that compensation for services of general economic interest (SGEI) granted to a company may not constitute an economic advantage under certain strictly defined conditions. Where the four cumulative *Altmark*[15] conditions are met, public service compensation is deemed not to grant any economic advantage.

(24) In its judgment in *Altmark*, the Court laid down the conditions under which public service compensation does not constitute State aid as follows:

- *(…) First, the recipient undertaking must actually have public service obligations to discharge and those obligations must be clearly defined (…).*
- *(…) Second, the parameters on the basis of which the compensation is calculated must be established in advance in an objective and transparent manner (…).*
- *(…) Third, the compensation cannot exceed what is necessary to cover all or part of the costs incurred in the discharge of the public services obligation, taking into account the relevant receipts and a reasonable profit (…).*
- *(…) Fourth, where the undertaking which is to discharge public service obligations, in a specific case, is not chosen pursuant to a public procurement procedure, which would allow for the selection of the tenderer capable of providing those services at the least cost to the community, the level of compensation needed must be determined on the basis of an analysis of the costs, which a typical undertaking, well run and adequately provided within the same sector would incur, taking into account the receipts and a reasonable profit from discharging the obligations.'*

(25) Where those four criteria are met, public service compensation does not constitute State aid because it does not grant an economic advantage to the beneficiary and Article 107(1) TFEU do not apply.

(26) The Italian authorities did not provide any evidence demonstrating that the compensation for the delivery of the universal postal service by PI respects all *Altmark* conditions nor did they argue they were met. In particular, the USO was not awarded through a public procurement procedure, while the compensation was not determined on the basis of the analysis of the costs of a typical, well run, undertaking. In its 2012 and 2015 decisions, the Commission already concluded

[14] See Cases C-15/14 P, Commission v MOL, EU:C:2015:362, paragraph 60; C-270/15 P Belgium v Commission, EU:C:2016:489, paragraph 49; and T-314/15 Greece v Commission, EU:T:2017:903, paragraph 79.

[15] Judgments in Case C-280/00 Altmark Trans GmbH and Regierungspräsidium Magdeburg EU:C:2003:415 and Joined Cases C-34/01 to C-38/01 Enirisorse EU:C:2003:640.

that the same type of compensation was not in line with the *Altmark* conditions.[16] In the absence of new elements, the Commission therefore maintains its conclusion that the selective measure ought to be considered as conferring an advantage to PI, which can be qualified as economic advantage within the meaning of Article 107(1) TFEU.

3.1.4. *Affectation of trade and distortion of competition*

(27) In order to be qualified as State aid, a measure must affect trade between Member States and distort or threaten to distort competition.

(28) A measure granted by a State is considered to distort or to threaten to distort competition when it is liable to improve the competitive position of the recipient compared to other undertakings with which it competes[17]. A distortion of competition is thus assumed as soon as a State grants a financial advantage to an undertaking in a liberalised sector where there is, or could be, competition. As regards the measure's effect on trade, it is not necessary to establish that the aid has an actual effect on trade between Member States but only whether the aid is liable to affect such trade[18]. In particular, the Union Courts have ruled that "*where State financial aid strengthens the position of an undertaking as compared with other undertakings competing in intra-[Union] trade, the latter must be regarded as affected by the aid*."[19]

(29) PI operates in the postal and financial sectors, where there is competition and intra-Union trade. As it appears from a report published in 2018 by the Commission,[20] the Italian mail market, although quite concentrated, is still subject to competition between postal operators.

(30) Furthermore, express mail services as well as parcel services dedicated to business customers and logistical services have been developed in Italy by private undertakings, some of which, like TNT, DHL, GLS, FedEX, are based in other Member States.

(31) The SGEI compensations granted to PI strengthen its economic position. PI operates in the postal sector which is competitive and where there is significant

[16] 2012 Decision, case SA.33989, recitals (48) to (52), and 2015 Decision, case SA.43243, recital (33).

[17] Case 730/79 Philip Morris v Commission EU:C:1980:209, paragraph 11; and Joined Cases T-298/97, T-312/97, T-313/97, T-315/97, T-600/97 to 607/97, T-1/98, T-3/98 to T-6/98 and T-23/98 Alzetta and others v Commission EU:T:2000:151, paragraph 80.

[18] Case C-518/13 Eventech EU:C:2015:9, paragraph 65. Cases C-197/11 and C-203/11 Libert and others EU:C:2013:288, paragraph 76.

[19] Case C-518/13 Eventech EU:C:2015:9, paragraph 66. Cases C-197/11 and C-203/11 Libert and others EU:C:2013:288, paragraph 77. Case T-288/97 Regione autonoma Friuli-Venezia Giulia v Commission, EU:T:2001:115, paragraph 41.

[20] Main developments in the European Postal Sector (2013-2016)", by Copenhagen Economics, July 2018, available at: https://www.copenhageneconomics.com/dyn/resources/Publication/publicationPDF/8/458/1537532765/main-developments-in-the-postal-sector.pdf

cross-border trading. In particular, PI faces competition from undertakings with activities in other Member States.

(32) Therefore, there appears to be trade between Member States in the postal sector and the public service compensation granted to PI strengthens its position vis-à-vis postal undertakings competing in intra-Union trade.

(33) Accordingly, the compensation for the delivery of the universal service is liable to affect trade and distort competition.

3.1.5. Conclusion

(34) Based on the above, the Commission concludes that the compensations granted to PI for the delivery of the universal postal service over the period 2020-2024 constitute State aid within the meaning of Article 107(1) TFEU.

(35) Furthermore, the Commission points out that, in their notification, the Italian authorities agreed that the USO compensations over the period 2020-2024 qualify as State aid in the meaning of Article 107(1) TFEU.

4. ASSESSMENT OF USO COMPENSATION OVER THE PERIOD 2020-2024

4.1. Legality of the aid

(36) Article 11 of the 2020-2024 Programme Contract, which constitutes the legally binding act by which the Italian State undertakes to grant the aid for 2020-2024, states that the compensation will be effective on condition that it is authorized by the Commission, pursuant to the EU State aid rules. As that contract and the related compensation are notified pursuant to Article 108(3) TFEU, the Italian authorities consider that the compensations for the delivery of the universal service for the period 2020-2024 do not constitute illegal aid.

(37) Therefore, the Commission considers that the Italian authorities complied with the obligations set out at Article 108(3) TFEU in that regard.

4.2. Assessment of compatibility of the aid

(38) Insofar as the USO compensation benefiting PI amounts to State aid within the meaning of Article 107(1) TFEU, its compatibility with the internal market needs to be assessed. The potentially relevant grounds on which a State aid measure can or must be declared compatible with the internal market are listed in Articles 106(2), 107(2) and 107(3) TFEU.

(39) The Italian authorities claim that the aid to PI constitutes compensation for delivering an SGEI, in particular, the USO, which is to be assessed for compatibility on the basis of Article 106(2) TFEU.

(40) Article 106(2) TFEU provides that "*undertakings entrusted with the operation of services of general economic interest or having the character of a revenue-producing monopoly shall be subject to the rules contained in the Treaties, in particular to the rules on competition, in so far as the application of such rules does not obstruct the performance, in law or in fact, of the particular tasks assigned to them. The development of trade must not be affected to such an extent as would be contrary to the interests of the Union*."

(41) In accordance with that provision, the Commission may declare compensation for SGEIs compatible with the internal market, provided that certain conditions are met. The Commission has laid down the conditions according to which it applies Article 106(2) TFEU in the Commission Decision of 20 December 2011 on the application of Article 106(2) TFEU on State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of SGEI (hereafter "the 2012 SGEI Decision")[21] and the 2012 SGEI Framework[22].

(42) Since the amount of the SGEI compensation to PI is above EUR 15 million per year, the compensation does not fall within the scope of the 2012 SGEI Decision, as set out in its Article 2.

(43) State aid falling outside the scope of the 2012 SGEI Decision may be declared compatible under Article 106(2) TFEU if it is necessary for the operation of the SGEI concerned and does not affect the development of trade to such an extent as to be contrary to the interests of the Union.[23] In that regard, the 2012 SGEI Framework sets out the guidelines for assessing the compatibility of SGEI compensation.

4.2.1. Genuine service of general economic interest as referred to in Article 106 TFEU

(44) As indicated in paragraph 46 of the Commission's SGEI Communication[24], Member States have a wide margin of discretion regarding the nature of services that could be classified as being services of general economic interest. The Commission's competence is limited to checking that the margin of discretion is applied without manifest error as regards the definition of service of general economic interest and to assessing any State aid involved in the compensation. Paragraph 56 of the 2012 SGEI Framework confirms Member States' wide margin of discretion to define services of general economic interest.

(45) The public service obligation entrusted to PI is the universal postal service. As explained in section 2.2, the universal postal service entrusted to PI has the same scope as laid down in Article 3 of the Postal Services Directive. As outlined in recitals (4) to (8) to Directive 2008/6/EC, the USO as defined in the Postal Services Directive is already recognised by the European Union as a genuine service of general economic interest[25] within the meaning of Article 106(2) TFEU.

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[21] Commission Decision 2012/21/EU of 20 December 2011 on the application of Article 106(2) TFEU on State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of SGEI, OJ L 7, 11.1.2012, p. 3.

[22] Communication from the Commission — European Union framework for State aid in the form of public service compensation (2011), OJ C 8, 11.1.2012, p. 15.

[23] Paragraph 11 of the 2012 SGEI Framework.

[24] Communication from the Commission on the application of the European Union State aid rules to compensation granted for the provision of services of general economic interest, OJ C 8, 11.1.2012, p. 4.

[25] For example, Article 3(1) of the Postal Services Directive (as amended) reads: "Member States shall ensure that users enjoy the right to a universal service involving the permanent provision of a postal service of specified quality at all points in their territory at affordable prices for all users."

(46) The Commission therefore considers that the notified measure constitutes a genuine SGEI and that Italy does not have to prove by way of a public consultation or other appropriate instruments that it has given consideration to public service needs, and so the requirement set out in paragraph 14 of the 2012 SGEI Framework does not apply in this instance.

4.2.2. Need for an entrustment act specifying the public service obligations and the methods of calculating compensation

(47) As indicated in paragraph 15 of the 2012 SGEI Framework, the concept of service of general economic interest within the meaning of Article 106(2) TFEU means that the undertaking in question has been entrusted with the operation of the service of general economic interest by way of one or more acts.

(48) Articles 3 and 23 of Law Decree n. 261/1999 as subsequently amended (last, by Law Decree n. 58/2011, transposing Directive 2008/6/EC) and the Programme Contract for the 2020-2024 period clearly define and entrust to PI the SGEI represented by the universal postal service.

(49) As required by paragraph 16 of the 2012 SGEI Framework those entrustment acts specify, in particular:

- The precise nature of the public service obligation (i.e. the delivery of the USO);
- The undertaking (i.e. PI) and territory concerned (i.e. the whole territory of Italy);
- The nature of the exclusive rights assigned to PI (i.e. none);
- The description of the compensation mechanism and the parameters for calculating, monitoring and reviewing the compensation;
- The arrangements for avoiding and repaying any overcompensation.

(50) In particular, the Italian authorities submit that there are no exclusive rights assigned to PI, as Law n. 124 of 4 August 2017[26] has opened to competition the last market segment that was still reserved to PI in compliance with Article 8 of the Postal Services Directive, i.e. the registered mail service used in the course of judicial or administrative procedures.

(51) In addition, as provided for by Article 1(274)(b) of the Stability Law and reiterated in Article 6(2) of the 2020-2024 Programme Contract, the maximum yearly amount of public service compensation granted by the State is set at EUR 262.4 million over 2020-2024.

(52) In addition to the fact that the amount of compensation is set *ex ante* well below the forecasted cost of the USO, there is also an *ex post* test on overcompensation by AGCOM. Under Article 3(14) of Law Decree n. 261/1999 as amended, AGCOM is to verify, on a yearly basis, the amount of the USO burden and its funding arrangements, in accordance with Article 22 of the Postal Services Directive[27]. The

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[26] Legge annuale per il mercato e la concorrenza, GU n.189 of 14 August 2017.

[27] Article 22 provides for the tasks of the national regulatory authorities.

absence of overcompensation is guaranteed by the control carried annually by AGCOM. Any overcompensation in comparison to the verified burden is checked, detected and recovered by the Italian authorities on a two-year basis (or at the end of the last year of the Programme Contract), as provided for by Article 6(5) of the 2020-2024 Programme Contract (i.e., the MEF requires PI to return the verified overcompensation by transferring it on a given account). On those grounds, the Italian authorities are in the position to verify any possible overcompensation and recover it from PI if necessary.

(53) In light of the above, the Commission considers that the entrustment of PI for the period 2020-2024 is in line with the relevant requirements of the 2012 SGEI Framework.

4.2.3. Duration of the period of entrustment

(54) As indicated in section 2.4 of the 2012 SGEI Framework, "*the duration of the period of entrustment should be justified by reference to objective criteria such as the need to amortise non-transferable fixed assets. In principle, the duration of the period of entrustment should not exceed the period required for the depreciation of the most significant assets required to provide the SGEI.*"

(55) The Italian authorities explained that pursuant to Article 23, paragraph 2 of Law Decree n. 261/1999, as amended, the duration of the entrustment is 15 years with intermediate reviews every 5 years[28].

(56) The Italian authorities argue that the fifteen-year duration of PI's entrustment can be justified by reference to the depreciation period of the most significant assets required to provide the universal service. The investments made by PI in fixed assets in order to ensure the provision of the universal service mainly relate to real estate, real estate refurbishment, plants and equipment, and have accounting amortisation periods varying in a wide range of up to 33 years (see Table 2) with a weighted average duration of the different classes of assets of about 20 years.

(57) Table 2* provides the amortisation time of main assets involved in the provision of universal service.

Table 2: Depreciation period

Assets	Depreciation period (years)
Properties	33 20 (extraordinary maintenance)
Plants	10
Industrial and commercial equipment	8,3
Leasehold improvements	Lease duration (average: 12)
Tangible assets	3
Other tangible assets	5-8
Intellectual property rights, trademarks and similar rights	3

*Source: Poste Italiane

[28] Law Decree n. 261/1999 was then amended by Law Decree n. 58 of 2011 of 31 March 2011 which transposed Directive 2008/6/EC and entrusted PI with the USO for another 15 years from the date of entry into force of the Law Decree.

(58) In light of those elements, the Commission agrees that the duration of PI's entrustment can be accepted as it does not exceed the period required for the depreciation of the assets requested for the delivery of the universal service.

4.2.4. Compliance with the Directive 2006/111/EC

(59) According to paragraph 18 of the 2012 SGEI Framework, "*aid will be considered compatible with the internal market on the basis of Article 106(2) of the Treaty only where the undertaking complies, where applicable, with Directive 2006/111/EC on the transparency of financial relations between Member States and public undertakings as well as on financial transparency within certain undertakings*[29]".

(60) The Italian authorities indicate that Article 7 of Law Decree 261/1999 imposes separate accounts within the internal accounts of the universal service provider. It has not been altered since the Commission's assessment for its 2015 decision (on the periods 2012-2014 and 2015-2019) and its 2019 decision on the reduced tariffs SGEI[30] and therefore remains applicable. According to the information provided by the Italian authorities, the activity-based costing system (hereinafter "ABC system") adopted by PI has not undergone changes since the Commission assessed it for the year 2018. The Italian authorities also submitted the most recent reports of the independent auditors[31], certifying that the accounts comply with the rules on separate accounting.

(61) The internal accounting system figures for 2018 are the following:

- number of accounts in PI's chart of accounts: about 600 in 2018,
- number of active cost centres to which the costs are attributed: about 18.000 in 2018,
- number of activities in the ABC system: about 140 in 2018,
- number of products: about 200 in 2018.

(62) PI's analytical accounting divides costs into:

- Direct costs: they are the costs relating to components used specifically to obtain a given product or service. They are entirely 'directed' towards the products in question via a detailed analysis of the General Accounting Plan of entries. In 2019, they represented [omissis] % of PI's total costs.
- Direct production costs: they are the costs of divisional production structures whose activity contributes to the delivery of products or services. In 2019, they represented [omissis] % of PI's total costs.
- Indirect production costs: they are the costs of the non-operational divisional structures, such as the general Division and territorial area Division structures, which have the task of developing production strategies for the post and financial business and of implementing them in full. In 2019, they represented [omissis] % of PI's total costs.
- Central costs: they are central support, orientation and control activity costs incurred for the purpose of insuring operational consistency of the activities

[29] OJ L 318, 17.11.2006, p. 17.

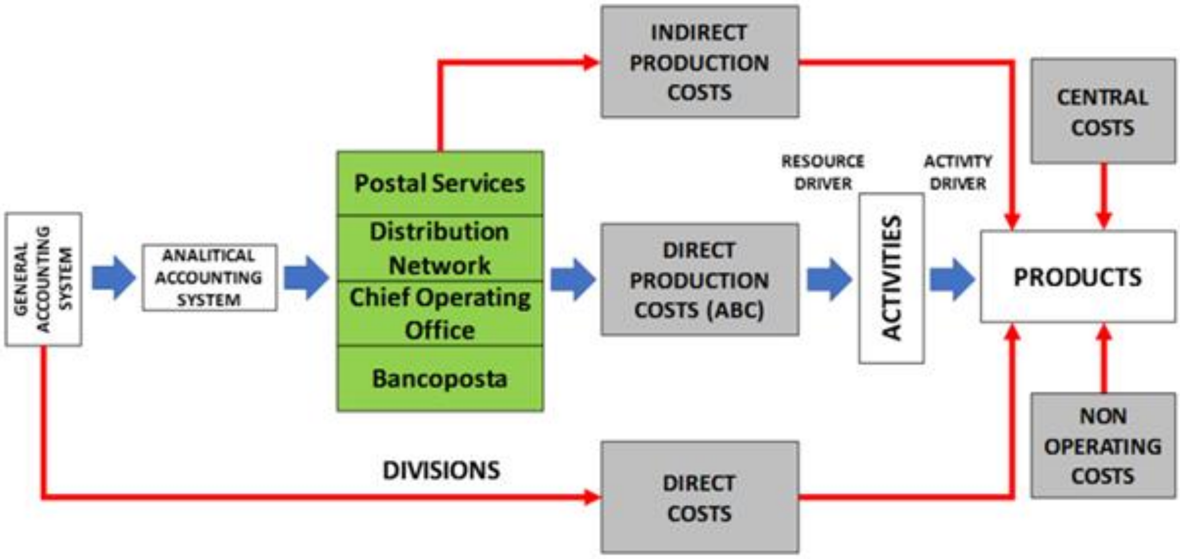
[30] SA.48492 (2017/NN), footnote 8.

[31] PWC's Report for 2019 financial year.

carried out by the Divisions with central policies and strategies. In 2019, they represented [omissis] % of PI's total costs.

- Non-operating costs: includes finance costs/income, impairment loss/(reversal) on financial instruments, income tax for the year. In 2019, they represented [omissis] % of PI's total costs.

Figure 1: PI's accounting model



Source: Poste Italiane

(63) PI's 189 products are grouped in three macro-categories: postal products (USO and non-USO), financial products and other products.

(64) The breakdown of the operating and non-operating costs for 2019 among PI's three main product categories is set out in Table 3:

Table 3: Breakdown of PI's costs in 2019 (EUR millions)

	USO	***Non-USO***	**Postal products** *(USO + non-USO)*	**Financial & Other products**	**Total costs**	**% of total costs**
Direct production costs	[omissis]	[omissis]	[omissis]	[omissis]	[omissis]	[omissis] %
Direct costs	[omissis]	[omissis]	[omissis]	[omissis]	[omissis]	[omissis] %
Indirect costs	[omissis]	[omissis]	[omissis]	[omissis]	[omissis]	[omissis] %
Central costs	[omissis]	[omissis]	[omissis]	[omissis]	[omissis]	[omissis] %
Total operating costs	[omissis]	[omissis]	[omissis]	[omissis]	[omissis]	[omissis] %

Non-operating costs	[omissis]	[omissis]	[omissis]	[omissis]	[omissis]	[omissis] %
Total costs	**[1800-2200]**	**[1800-2200]**	**[3600-4400]**	**[4400-5000]**	**8 741**	**100%**

(65) The Italian authorities note that the transparency requirements of Directive 2006/111/EC are met by PI's internal accounting system. The latter, as noted by the Commission lastly in its 2019 decision, provides the appropriate division between commercial activities and activities operated by PI under SGEI obligations. According to the information provided by PI, the system has not been subject to any relevant modification since the Commission's last assessment.

(66) The ABC system, which is a particular method of the fully distributed cost allocation method, complies with the relevant provisions of the 2012 SGEI Framework (in particular its paragraph 44) and is also in line with the sector-specific requirements on separate accounting laid down in Article 14 of the Postal Services Directive.

(67) Already in the 2006, 2008, 2012, 2015 and 2019 decisions, the Commission concluded that the methodology used by PI to separate accounts between costs and revenues of the services of general economic interest and costs and revenues of commercial activities reflected a correct allocation of its costs among those different types of activities. Therefore, that methodology was found to be suitable to assess the costs and revenues from the various services provided by PI as well as for determining the extra costs of the universal postal service entrusted to it when applying the net accounting cost method. Since the Commission's last assessment, PI's cost allocation methodology has not undergone any significant changes.

(68) Moreover, the Commission received the independent auditor's reports for the years 2018 and 2019 which certify that PI's internal accounting was based on generally accepted accounting principles and thus suitable for quantifying the net costs of the universal postal service entrusted to it.

(69) Finally, on the basis of PI's internal accounting for 2019, the Commission reviewed the methodology of accounting separation of PI.

(70) On that basis, the Commission concludes that the accounting split between commercial (i.e. non-USO) activities and the USO activities operated by PI is appropriate.

(71) The Commission therefore considers that PI complies with Directive 2006/111/EC.

4.2.5. Compliance with Union public procurement rules

(72) According to paragraph 19 of the 2012 SGEI Framework, "*aid will be considered compatible with the internal market on the basis of Article 106(2) of the Treaty only where the responsible authority, when entrusting the provision of the service to the undertaking in question, has complied or commits to comply with the applicable Union rules in the area of public procurement. This includes any requirements of transparency, equal treatment and non-discrimination resulting directly from the Treaty and, where applicable, secondary EU legislation. Aid that does not comply with such rules and requirements is considered to affect the development of trade*

to an extent that would be contrary to the interests of the Union within the meaning of Article 106(2) of the Treaty."

(73) Pursuant to Article 7(2) of the Directive 97/67 as amended[32], Member States have the discretion to designate by law the postal USO operator and are not obliged to organize a tendering procedure for its selection.

(74) The Commission considers that it is only if Member States decide to organize a tendering procedure for the selection of the postal USO operator that public procurement rules would apply and that, therefore, the compatibility of the USO financing with the internal market would depend on whether the said rules have indeed been observed.

(75) In the present case, the Italian authorities opted for the direct entrustment by law to the incumbent operator, in conformity with the 3rd Postal Directive. Since the Italian authorities opted for the direct entrustment by law to PI, in conformity with the Postal Services Directive, public procurement rules are not applicable; the direct entrustment of PI as the USO provider is to be considered in line with paragraph 19 of the 2012 SGEI Framework.

4.2.6. Absence of discrimination

(76) According to paragraph 20 of the 2012 SGEI Framework, *"[w]here an authority assigns the provision of the same SGEI to several undertakings, the compensation should be calculated on the basis of the same method in respect of each undertaking*".

(77) Since the USO is only assigned to PI, the Commission considers that the requirement of paragraph 20 of the 2012 SGEI Framework is not applicable.

4.2.7. Amount of compensation

Calculation of the net cost of the USO and verification of the absence of overcompensation using the net accounting cost method

(78) In this section, the Commission describes the calculation of the net cost of the USO for the years 2020-2024, as elaborated by PI. As mentioned in recital(11) and (52), the calculation of the net cost for the period 2020-2024, as developed and estimated by PI, will be verified by AGCOM.

Calculation of the net cost of the USO using the net avoided cost methodology (NAC)

(79) The NAC methodology used to calculate the USO net cost comprises six steps:

Step 1: Definition of the factual and counterfactual scenarios
Step 2: Revenues in the counterfactual
Step 3: Costs in the counterfactual
Step 4: Calculation of the NAC before intangibles
Step 5: Deduction of the intangibles

[32] Directive 97/67/EC as amended by Directive 2002/39/EC and by Directive 2008/6/EC.

Step 6: Calculation of the NAC

(80) The following recitals illustrate the main assumptions underlying the NAC calculation. In that regard, a detailed NAC calculation has only been provided for the period 2020-2022 because PI's most recent Industrial Plan (which is the main basis for the estimates of the factual and counterfactual scenarios) only concerns that period. Since it was not possible to derive estimates for the subsequent years, the estimates for the years 2023 and 2024 were set equal to that of 2022.

Step 1: Definition of the factual and counterfactual scenarios:

Factual scenario

(81) The factual scenario for 2020-2022 reflects projected revenues and costs of PI without any adjustments. Those figures are based on the financial accounts and business plans of PI.

Counterfactual scenario

(82) The counterfactual scenario represents what the company would do without the obligation to provide the universal service.

(83) In the counterfactual scenario notified by the Italian authorities, PI would totally stop providing postal services from 2020 onwards, as those services would be heavily loss-making, even after taking into account the potential for optimisation. Under that counterfactual scenario, PI would exclusively deliver its financial services, which are indeed very profitable.[33]

(84) Given the specificities of PI business model, which already rely heavily on financial services, the counterfactual scenario proposed by PI seems realistic. In particular, it is to be noted that the share of the postal activities in the total revenues of PI was only 29% in 2018, down from 37% in 2012. The declining share of the postal activities combined with their loss-making nature can therefore justify PI's choice in the counterfactual scenario to focus on the profitable financial services and to stop the provision of postal services. While that scenario might be pessimistic in its assumption that PI would retain not even some limited postal services (that could potentially be profitable), that conservative approach[34] would in any case further reduce the chances that the NAC be overestimated.

(85) However, given that such a counterfactual scenario is unusual in the postal sector, special attention has to be given to the impact of the discontinuation of the postal services on financial services and conservative assumptions have to be favoured to ensure that there is no overestimation of the profit of the counterfactual scenario and therefore of the net avoided cost.

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33 PI's financial (and other) activities had a profit margin of [omissis] % in 2018.

34 Indeed, if PI were to continue to provide certain postal services in the counterfactual scenario, it would do so because it expects to generate a profit. As a result, the profit in the counterfactual scenario would be higher and in turn the net avoided cost would also be higher, thus potentially leading to a higher amount of compensation.

Step 2: Revenues in the counterfactual scenario

(86) In the counterfactual scenario, because PI would cease all postal activities, including mail and parcels activities, its only revenues would be the revenues from the financial activities.

(87) PI would deliver exactly the same financial services, at the same price and in the same network of agencies.[35] The revenues from the financial activities is therefore considered to be the same in the counterfactual scenario as in the factual scenario.[36]

Step 3: Costs in the counterfactual scenario

(88) In the factual scenario, there are three categories of costs: costs allocated solely to the postal activities (e.g. some logistic costs related exclusively to postal services such as sorting centres), costs allocated solely to the financial activities (e.g. the cost of financial compliance) and costs that are common to both the postal and the financial activities. A typical example of common costs are the clerks in PI's agencies dealing with requests of clients both on the postal and on the financial side. Another important category is the cost (including depreciation costs) of managing the 13,000 agencies, in which both postal and financial services are delivered.

(89) Common costs include over [omissis] % of personnel costs and close to half of operating costs. In 2018, they amounted to nearly EUR [omissis] billion, i.e. above [omissis] % of PI's total costs. Table 4 presents the share of postal costs only, financial costs only and common costs.

Table 4: Types of costs in the factual scenario in 2018

€ Million	**Total PI**	**Solely postal services**	**Solely financial services**	**Common costs**
Personnel costs	[omissis]	[omissis]%	[omissis]%	[omissis]%
- *Wages, salaries and contributions*	[omissis]			
- *Provisions*	[omissis]			
FTE (unit)	[omissis]	[omissis]%	[omissis]%	[omissis]%
Operating costs	[omissis]	[omissis]%	[omissis]%	[omissis]%
Advertising	[omissis]	[omissis]%	[omissis]%	[omissis]%
Cash transport	[omissis]	[omissis]%	-	[omissis]%
General services	[omissis]	[omissis]%	[omissis]%	[omissis]%
Industrial equipment	[omissis]	[omissis]%	[omissis]%	[omissis]%
Interests and other BancoPosta costs	[omissis]	-	[omissis]%	-
Logistic	[omissis]	[omissis]%	-	-
Other costs	[omissis]	[omissis]%	[omissis]%	[omissis]%
Personnel services	[omissis]	[omissis]%	[omissis]%	[omissis]%
Real estate	[omissis]	[omissis]%	[omissis]%	[omissis]%

[35] PI has chosen not to close any of its post offices in the counterfactual scenario so that it does not reduce its territorial presence.

[36] Except for the deductions laid down below under "Step 5: Deduction of the intangibles".

Vehicles	[omissis]	[omissis]%	[omissis]%	[omissis]%
Depreciation	[omissis]			[omissis]%*
Total costs	**8511**			[omissis]**%**

* Estimate based on figures provided by PI

(90) In 2018, close to [omissis] % of the financial activities' total costs were common costs. The reason is that, unlike the postal activities, which have a majority of postal-specific costs (e.g. the sorting centres and postmen), financial activities' costs are mainly linked to the cost of personnel delivering both the postal and financial activities (the clerks in the agencies) and to the common infrastructure (the network of 13,000 agencies). Except for certain very specific functions, such as financial compliance costs, most financial services costs are derived from common costs.

(91) Without the postal activities (i.e. in the counterfactual scenario), a significant share of the common costs that were allocated to the postal side may have to be incurred by the financial side. As an example, some of those employees with the 'double cap' (postal and financial) may have to remain so that the office would not be closed down, in order for PI to maintain its territorial presence. The same logic applies to operating costs (e.g. the cost of maintaining the office network) and to assets depreciation costs.

(92) A precise estimation of the share of common costs to allocate to the financial side is difficult. In the calculation set out in Table 5, it was assumed instead, as a simplification, that all personnel and operating common costs would be allocated to the financial activities, i.e. that they would remain in the counterfactual scenario. Similarly, asset depreciation costs were also allocated to the financial services, except for assets which solely relate to postal activities (sorting and delivery centres).

(93) As a consequence of that simplified approach, the *assumed* costs of financial services in the counterfactual scenario are significantly higher than the corresponding ones in the factual scenario. The conservative allocation of common costs leads to the figures presented in Table 5.

Table 5: Costs in the counterfactual scenario with conservative allocation of common costs

	Amounts (EUR million)		
Category	**2020**	**2021**	**2022**
Financial services costs under the counterfactual scenario, i.e. with conservative allocation of common costs	[omissis]	[omissis]	[omissis]
Financial services costs under the factual scenario	[omissis]	[omissis]	[omissis]
Assumed additional costs in the counterfactual scenario compared to the factual scenario	**[600-800]**	**[600-800]**	**[600-800]**

(94) That conservative and simplified allocation of common costs ensures that they are not under-allocated to the financial activities in the counterfactual. It therefore leads, ceteris paribus, to an underestimated NAC (results in the counterfactual

minus results in the factual), which in turns ensures that PI cannot be overcompensated.

Step 4: Calculation of the NAC before intangibles

(95) The conservative estimation of the NAC before intangibles for 2020-2022 corresponds to the difference in profit between the factual and counterfactual scenario, laid out in Table 6.

Table 6: NAC amount before intangibles

	Amounts (EUR million)		
Category	**2020**	**2021**	**2022**
Postal services revenues under the counterfactual scenario	0	0	0
Postal services costs under the counterfactual scenario	0	0	0
Postal services result under the counterfactual scenario (a)	0	0	0
Financial services revenues under the counterfactual scenario	[omissis]	[omissis]	[omissis]
Financial services costs under the counterfactual scenario	[omissis]	[omissis]	[omissis]
Financial services result under the counterfactual scenario (b)	[omissis]	[omissis]	[omissis]
Result counterfactual scenario (c) = (a)+(b)	[omissis]	[omissis]	[omissis]
Postal services revenues under the factual scenario	[omissis]	[omissis]	[omissis]
Postal services costs under the factual scenario	[omissis]	[omissis]	[omissis]
Postal services result under the factual scenario (d)	[omissis]	[omissis]	[omissis]
Financial services revenues under the factual scenario	[omissis]	[omissis]	[omissis]
Financial services costs under the factual scenario	[omissis]	[omissis]	[omissis]
Financial services result under the factual scenario (e)	[omissis]	[omissis]	[omissis]
Result factual scenario (f) = (d)+(e)	[omissis]	[omissis]	[omissis]
NAC before intangibles (c) – (f)	**480**	**355**	**319**

Step 5: Deduction of the intangibles

(96) As laid out in Decision SA.43243 (2015/N), intangible and market benefits are those benefits enjoyed by a provider due to its Universal Service Provider status, or, more generally, to the provision of other services, which entail an improvement of its profitability.

(97) Typical intangibles in the postal sector referenced to in the literature include:

- Economies of scale and scope;
- Brand value and demand complementarities;
- Enhanced advertising effect;
- Demand effects due to the VAT exemption;

- Ubiquity and network advantages;
- Lower transaction costs and better customer acquisition due to uniform price.

(98) In the factual scenario the revenues of the postal service already capture the positive effects stemming from the universal service provision (in particular potential economies of scale and scope, demand effects due to VAT exemption[37], ubiquity and network advantages, impact of uniform price). In the counterfactual scenario, as postal activities would cease to be provided, intangible benefits are to be considered to the extent that they can impact financial services.

(99) The following benefits were identified to fall into that category: 1) brand value and demand complementarities benefiting financial services, and 2) enhanced advertising effect also benefiting the financial services.

Brand value linked to the USO and demand complementarities

(100) The first benefit identified is the impact of the status of Universal Service provider on customers' willingness to pay for financial services in the factual scenario. That benefit would be derived e.g. because of the reputational advantage for PI as the entity responsible for delivering mail throughout the national territory or for more concrete reasons such as the possibility to purchase universal services and to buy financial services in the same place. In other words, intangible benefits are reflected in the customers' willingness to purchase more financial services[38] from PI than they would do if PI were not entrusted with the universal service provision in Italy, therefore increasing their profitability.

(101) To estimate such intangible benefits, PI designed a specific customer survey. It was carried out in July 2020 through the CATI methodology (Computer Aided Telephone Interview) based on a sample of 1.200 respondents representative of BancoPosta/Postepay's customer base in terms of geographic area, habitat, gender and age.

(102) Following the assumptions made for the counterfactual scenario, respondents were asked how they would behave if PI no longer provided postal services. The survey included a question aimed at verifying whether the interviewees were aware that PI benefits from a public compensation for discharging the USO.

(103) In order to obtain a quantifiable estimate of the benefits related to the USO, customers were asked how likely it is that they would stop using BancoPosta/Postepay, according to a 5-point Likert scale.[39] By jointly analysing the results obtained from that second answer with the type of customer (i.e. current

[37] See for example recital (91).

[38] PI distinguishes between 1) payment services, which allow consumers to pay, for example, utilities bills, fines, etc.; 2) current account services, meeting cash management needs of customers; and 3) investment services like, for example, savings accounts, insurance and bonds. Payment services are provided by PI's subsidiary PostePay, while current account services and investment services are provided by its subsidiary BancoPosta.

[39] Answer options were "for sure", "very likely", "likely", "not very likely" and "not at all".

account holder and/or investment product holder and/or customer of payment services) it was possible to obtain the granular results illustrated in Table 7.

Table 7: Survey's respondents who may stop using PI's financial services in the counterfactual, by category of product

Saving, financing and investment products		Current account services		Payments services	
For sure	8	For sure	2	For sure	7
Very likely	5	Very likely	3	Very likely	2
Likely	9	Likely	11	Likely	10
Not very likely	1	Not very likely	1	Not very likely	2
Not at all	0	Not at all	0	Not at all	1

(104) Table 7 lists the responses of the 3.8% of respondents who declared that they would reconsider the use of Bancoposta services if PI were no longer the USO provider.

(105) Then a different weight was associated to each kind of answer: 100% for the answer "For sure", 75% for the answer "Very likely", 50% for the answer "Likely", 25% for the answer "Not very likely" and 0% for "Not at all".

(106) By applying those weights to the results obtained, it was possible to derive the weighted average reduction in the use of PI's financial services for each of the three categories considered. Starting from those values, by taking into account the split of PI's financial revenues, it was possible to derive the percentage of financial revenues which would be lost in the counterfactual scenario or, in other words, the loss of intangible benefit. Estimates of the revenue loss for each year of the Contract are showed in Table 8.

Table 8: Loss of brand value and demand complementarities in the counterfactual scenario, per category of product (EUR million)

Year	Revenues of Saving, Financing & Investment products	Adjusted revenues of Saving, Financing & Investment products	Revenues of Current Account Services	Adjusted revenues of Current Account Services	Revenues of Payment services	Adjusted revenues of Payment services
2020	[omissis]	2 795	[omissis]	1 877	[omissis]	722
2021	[omissis]	2 869	[omissis]	1 845	[omissis]	736
2022	[omissis]	2 973	[omissis]	2 066	[omissis]	755

(107) The differences in absolute values and in percentages are laid down in Table 9.

Table 9: Total loss of brand value and demand complementarities in the counterfactual scenario

Year	Total revenues	Total adjusted revenues	Difference btw. total revenues & total adjusted revenues (€ millions)	Percentage difference btw. total revenues & total adjusted revenues
2020	[omissis]	5 981	[omissis]	-2,2%
2021	[omissis]	5 871	[omissis]	-2,3%
2022	[omissis]	6 100	[omissis]	-2,3%

Brand visibility (enhanced advertising effect)

(108) To the extent that PI can benefit from more advertising space because it is entrusted with the USO and carries out the postal activities (e.g. through postal uniforms, cars, trucks that would no longer be available without the postal activities), that advantage which can benefit both postal and financial services has to be quantified and subtracted from the NAC.

(109) According to a study run by Frontier Economics for the Commission[40], the enhanced advertising effect can be estimated by multiplying the number of advertising spaces with the market rates of advertising in similar space. In the following, an estimate of the enhanced advertising effect is developed, based on the methodology suggested by Frontier Economics.

(110) As for the market value of advertising spaces, the Italian authorities refer to Resolution 214/19/CONS, in which AGCOM indicates an advertising space value of EUR 92.8 per square meter in 2016 (paragraph 184 of the Resolution).[41] The reduction of advertising revenues, which occurred in Italy between 2016 and 2018, was not taken into account. Therefore, the assumption of keeping the 2016 figure for the period 2020-2022 can be regarded as conservative.

(111) The next step consists in the quantification of the advertising spaces enjoyed by PI thanks to the USO. The advertising spaces must be calculated as the difference between those available in the factual scenario and the same advertising spaces still available in the counterfactual scenario. As a consequence, considering that PI chooses not to close any post office in the counterfactual scenario, the corresponding number of advertising spaces taken into account in the estimate of the intangible benefit are equal to zero (as for post offices). Since PI chooses to discontinue the postal provision in the counterfactual scenario, the number of advertising spaces associated with the postal network (different from the post *office* network) should be fully considered in the estimate. The estimate of the enhanced advertising effect is obtained by multiplying the residual advertising spaces by their market value, as showed in Table 10.

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40 Study on the principles used to calculate the net costs of the postal USO – January 2013.

41 Delibera n. 214/19/CONS of 7/06/2019, "Verifica del calcolo del costo netto del servizio postale universale per gli anni 2015 e 2016".

Table 10: Estimate of enhanced advertising effect

Item	m² available in factual (1)	m² available in counterfactual (2)	Difference between (1) and (2)	Market rate (EUR)	Estimate of benefit (EUR)
Motorcycle helmet	[omissis]	[omissis]	[omissis]	92,8	[omissis]
Postman uniform	[omissis]	[omissis]	[omissis]		[omissis]
Car	[omissis]	[omissis]	[omissis]		[omissis]
Post office	[omissis]	[omissis]	[omissis]		[omissis]
Truck	[omissis]	[omissis]	[omissis]		[omissis]
Airplane	[omissis]	[omissis]	[omissis]		[omissis]
Total	**255 550**	**104 000**	**151 550**		**14 063 840**

(112) The loss of enhanced advertising effect leads to a revenue drop of approx. EUR 14 million for each of the year of the 2020-2022 period.[42]

Cost-reduction based on the revenue loss

(113) Since PI would lose sales (i.e. activity) due to the loss of demand complementarities and advertising, it would also incur less costs. A cost saving effect proportional to the loss of revenue derived from the survey (recitals (100) to (107)) and from the estimate of the enhanced advertising effect (recitals (108) to (112)) was also estimated. For each year, the percentage of revenue reduction (Tables 9-10 and recital (112)) was applied to an adjusted costs base, computed considering all costs related to financial services and most costs related to both financial and postal services. The adjusted cost base was obtained by adding: 1) all personnel costs of financial services solely; 2) all personnel costs of both financial and postal services; 3) all operating costs of financial services solely and 4) most of operating costs of both financial and postal services (i.e. with the exception of advertising and real estate). Table 11 shows the results for the period 2020-2022.

Table 11: Cost reduction based on revenue loss

	Amounts (EUR million)		
Category	**2020**	**2021**	**2022**
Financial services costs under the counterfactual scenario, i.e. with allocation of common costs (a)	[omissis]	[omissis]	[omissis]
Reduction of costs from (a) proportional to the reduction of revenues based on the brand value and demand complementarities (b)	102	103	107
Reduction of costs from (a) proportional to the reduction of revenues based on the advertising effect (c)	11	11	10
Cost reduction (b) + (c)	**113**	**114**	**117**

[42] It amounts to a revenue drop of 0,23% for each year of the 2020-2022 period.

Step 6: Calculation of the NAC

(114) Based on the above assumptions and corrections, the net avoided cost calculation has been performed for the period 2020-2022. Table 12 summarises the outcome of those calculations.

Table 12: Net avoided cost (NAC) after deducting the intangibles

	Amounts (EUR million)		
Category	**2020**	**2021**	**2022**
NAC before intangibles (a)	480	355	319
Loss of brand value and demand complementarities (b)	134	136	144
Loss of advertising effect (c)	14	14	14
Cost reduction based on revenue loss (d)	113	114	117
NAC with intangibles ((a)-(b)-(c)+(d))	**445**	**319**	**278**
Maximum compensation amount	*262,4*	*262,4*	*262,4*

(115) As explained in recital (80), the conservative NAC estimation calculated for 2022 was also used for the years 2023 and 2024, as PI's most recent Industrial Plan, which is the main basis for the NAC calculations, only concerns the period 2020-2022 and it was therefore not possible to derive reliable estimates for the subsequent years. The NAC amounts for 2023 and 2024 would remain conservative, given the very conservative assumption on the common costs, and in light of considerations expressed on brand visibility for example, as the assumption of keeping the 2016 figure (see recital (110)) for the period 2020-2022 would apply to 2023 and 2024, too. Finally, the Commission also takes into account that the NAC for 2023 and 2024 will, as for previous years, be checked by AGCOM which may lead to a reduction of the compensation if necessary.

Credibility of the NAC methodology

(116) The Commission considers that the NAC methodology proposed by the Italian authorities meets the requirements of the 2012 SGEI Framework. In particular, the counterfactual scenario is credible and its assumptions realistic (see recitals (83)-(84)16). The costs used in the counterfactual scenario represent an overestimation (see recitals (88)-(94)). Finally, the intangible benefit corrections are appropriate since they adequately reflect the advantages that the financial services activity can enjoy in the presence of the postal activities (recitals (96)-(113)). The method used leads to an underestimation of the NAC, which ensures that there can be no overcompensation.

Verification of the absence of overcompensation using the NAC methodology

(117) Under Article 3(14) of Law Decree n. 261/1999, as modified in 2011, AGCOM is to verify, on a yearly basis, the amount of the USO burden and its funding arrangements, in accordance with Article 22 of the Postal Services Directive, which provides for the tasks of the national regulatory authorities. The mechanism ensures that PI will not be over-compensated: the *ex-post* check will allow the Italian authorities, at the end of the Programme Contract, to verify whether there has been any overcompensation over the relevant period (2020-2024) and recover it from PI,

should the compensable amount calculated *ex-post* be lower than the compensation calculated and granted *ex-ante.*

4.2.8. Efficiency incentives

(118) Paragraph 39 of the 2012 SGEI Framework reads: "*In devising the method of compensation, Member States must introduce incentives for the efficient provision of SGEI of a high standard, unless they can duly justify that it is not feasible or appropriate to do so.*"

(119) That method of compensation provides strong efficiency incentives. In particular, the under-compensation of the USO already provides a strong incentive for PI to operate as efficiently as possible, as PI has to cover any costs arising from the USO that are not compensated by the State. The efficiency incentive is also ensured by the *ex-ante* determination of a maximum amount of compensation in the Programme Contract, which remains unchanged with respect to increases in inflation. In particular, the rather significant under-compensation (see recital 0) for that obligation is a strong incentive for PI to operate as efficiently as possible.

4.2.9. Additional requirements which may be necessary to ensure that the development of trade is not affected to an extent contrary to the interests of the Union

(120) Paragraph 52 of the 2012 SGEI Framework states that, even when the requirements of the framework are met, "*in some exceptional circumstances, serious competition distortions in the internal market could remain unaddressed and the aid could affect trade to such an extent as would be contrary to the interest of the Union.*"

(121) In such exceptional circumstances, the Commission may require additional conditions or request additional commitments from the relevant Member State to mitigate serious distortions of competition, as stated in paragraph 53 of the 2012 SGEI Framework.

(122) Paragraph 54 of the 2012 SGEI Framework further states: "*Serious competition distortions such as to be contrary to the interests of the Union are only expected to occur in exceptional circumstances. The Commission will restrict its attention to those distortions where the aid has significant adverse effects on other Member States and the functioning of the internal market, for example, because they deny undertakings in important sectors of the economy the possibility to achieve the scale of operations necessary to operate efficiently.*"

(123) The Commission recalls that additional requirements are only considered in exceptional circumstances of serious distortions of competition which remain unaddressed by the other requirements of the 2012 SGEI Framework. In particular, the Commission restricts its attention to distortions where the aid has significant adverse effects on other Member States and the functioning of the internal market.

(124) In the case at hand, the Commission notes that the notified USO compensation is unlikely to distort competition to such an extent that additional requirements are necessary.

(125) The Commission therefore considers that in the case at hand there are no reasons to require conditions or to request commitments from the Member State.

4.2.10. Transparency

(126) Paragraph 60 of the 2012 SGEI Framework states that: "*For each SGEI compensation falling within the scope of this Communication, the Member State concerned must publish the following information on the internet or by other appropriate means*:

(a) the results of the public consultation or other appropriate instruments referred to in paragraph 14;

(b) the content and duration of the public service obligations;

(c) the undertaking and, where applicable, the territory concerned;

(d) the amounts of aid granted to the undertaking on a yearly basis".

(127) In their notification, the Italian authorities committed to fulfil the transparency requirements under paragraph 60 of the 2012 SGEI Framework by publishing the following information on the internet (namely on the website of the Ministry for Economic Development): (a) the content and duration of the USO entrusted to PI; and (b) the amounts of aid granted to PI on a yearly basis.

4.2.10.1. Conclusion

(128) Based on the above, the Commission concludes that the public service compensation granted to PI over the period 2020-2024 constitutes State aid under Article 107(1) TFEU which is compatible under Article 106(2) TFEU.

5. DECISION

(129) The Commission has accordingly decided not to raise objections to the notified measure on the grounds that it is compatible with the internal market pursuant to Article 106(2) of the Treaty on the Functioning of the European Union.

(130) The Commission is pleased to inform Italy that, having examined the information supplied by your authorities on the measures referred to above, the State compensations granted to Poste Italiane SpA for the delivery of the universal postal service over the period 2020-2024 constitute State aid compatible with the internal market under the 2012 SGEI Framework, which lays down the conditions that should be met by aid to be compatible pursuant to Article 106(2).

(131) The Commission notes that for the sake of urgency, Italy exceptionally accepts the adoption and notification of the Decision in the English language.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: http://ec.europa.eu/competition/elojade/isef/index.cfm.

Your request should be sent electronically to the following address:

European Commission,
Directorate-General Competition
State Aid Greffe
B-1049 Brussels
Stateaidgreffe@ec.europa.eu

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

CERTIFIED COPY
For the Secretary-General

Martine DEPREZ
Director
Decision-making & Collegiality
EUROPEAN COMMISSION