

Investors wary as Italy seeks to fill 500 top jobs

State nominations

New system aims to reward merit, but choices will also reflect shifting politics, writes
Guy Dinmore

The merry-go-round of Italy's most prized appointments is under way again as the Treasury seeks to fill about 500 top positions for the next three years in companies controlled, wholly or partially, by the state.

The prospect of serious conflict over the next months is already sending jitters not just through boardrooms and the political establishment but also among investors.

Despite all the official talk of liberalisation and seeking foreign investment to boost the private sector, the nominations for the plum posts reveal the extent of government and party control over an economy that has barely grown in more than a decade.

The 76 public sector companies in play – including energy group Eni, utility Enel and defence conglomerate Finmeccanica – account by some estimates for about 15 per cent of Italy's gross domestic product and, for those with listed shares, a fifth of Milan's stock market capitalisation.

For Italians grown cynical over inflated salaries and corruption scandals, the nomination process is derided as the *toto nomine* – "nominations sweepstakes" – a spoils system where the main political parties carve up posts in murky back-room deals.

Last June, finance minister Fabrizio Saccomanni responded to public pressure over bribery and corruption scandals engulfing lossmaking Finmeccanica by setting in place a new selections procedure aimed at promoting meritocracy with more transparency. International headhunters Spencer Stuart and Korn Ferry were appointed to assess candidates, and a committee of three independent advisers to oversee the process.

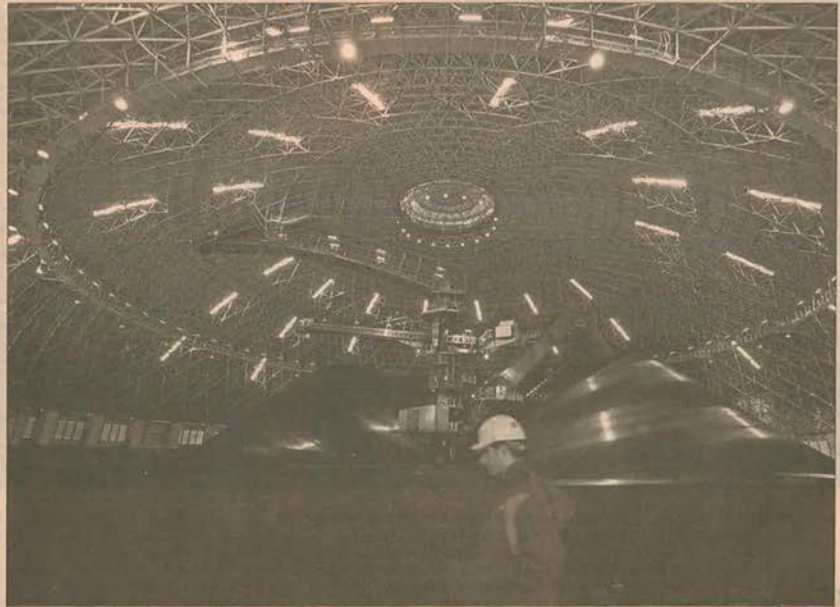
As the Treasury met last week's deadline to list all the vacant posts among chief executives, boards of directors and internal auditors, *Corriere della Sera*, a leading daily, pleaded for choices based on merit not political ties.

The newspaper asked: if a Canadian could be appointed as governor of the Bank of England, then why should Italy not consider outsiders too?

Despite the changes of process, officials concede that the final choices will reflect Italy's shifting political landscape. Matteo Renzi, new leader of the centre-left Democratic party and aspiring prime minister, is expected to make his mark.

The 39-year-old reformist mayor of Florence has already rocked the centre-left by sidelining ex-communist stalwarts from his party. People close to Mr Renzi, whose relationship with Prime Minister Enrico Letta is said to be going from bad to worse, are convinced he will not turn down the chance of playing a central role in appointing Italy's captains of industry. The question is more whether Mr Renzi will follow the time-honoured practice of backing his own cro-

Plum posts



An employee of utility Enel at one of the group's thermoelectric coal-fired power stations, above. Enel is one of 76 public sector companies that, by some estimates, account for 15 per cent of Italy's gross domestic product

Massimo Sarmi, left, has been at Poste Italiane since 2002 and is keen to stay on to see through a planned partial privatisation



Fulvio Conti, right, has seen Enel's share price fall 46 per cent in the more than eight years he has been at the helm

nies, or genuinely try to shake up the system.

Maria Elena Boschi, a long-time ally of Mr Renzi whom he put in charge of the party's reform policies, says: "The most capable people should be picked, with the courage sometimes

'Change for change's sake is not the right answer'

Paolo Basilico
Head of Kairos

to aim at new names."

"Not always people with more experience are the most able," she added.

Such comments could be seen to apply to several veterans of Italy's biggest state-controlled companies. Eni's Paolo Scaroni – whose geopolitical reach is sometimes compared with a shadow foreign minister – and Enel's Fulvio Conti have both served three terms as chief executives since 2005.

Massimo Sarmi, 65, has been at Poste Italiane, the largest public sector employer, since 2002 and

wants to stay on to oversee the planned partial privatisation of 40 per cent of the postal operator and financial conglomerate, possibly this year. Enel's share price has slid 46 per cent since Mr Conti took over in mid-2005, while Eni has fallen 12 per cent and the FTSE MIB index is down 38 per cent over the period. Taking dividends into account, the picture improves, with Enel returning 6.3 per cent, Eni 50 per cent and the index 11.2 per cent.

The uncertainty is unsettling investors, just as foreign interest in Italy is

being rekindled as the economy emerges slowly from two years of recession.

"Change for change's sake is not the right answer," commented Paolo Basilico, head of Milan-based wealth manager Kairos who rated all three executives as doing a "reasonably good job".

"Renzi wants new people but who will they be? The process takes months and we have no clue who will be appointed. We do not want politically driven choices," he said.

Additional reporting by Giulia Segreti

