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# Trans-European Network Policy and European Growth Investments: Lyon-Turin, it's happening now!

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## Abstract

*In October 2011, the European Commission unveiled its proposals for the Trans-European Transport Networks (TEN-T), which aim to improve infrastructure integration and to strengthen the EU's coordination capabilities in this area. More widely these are part of the support logic for long term investment for growth and the inclusion of an ecological imperative. At present the creation of the Lyon-Turin rail link is emblematic of the investments being made in transport, the major economic results of which are eagerly expected. However a European legal and financial framework to match this kind of large-scale project is still lacking. Here recommendations are made on this issue.*

## INTRODUCTION

The transport sector, which is cross-border by nature, seems to lend itself particularly well to European integration. Moreover, this sector is a potential source of investment for growth and competitiveness which are especially necessary in this time of economic hardship for the European Union. It is within this context that on 19th October 2011 the European Commission submitted some ideas regarding the Trans-European Transport Networks (TEN-T), which are under discussion by the European Council and the European Parliament.

Here we offer an assessment of these ideas, what they entail and the changes they are to bring about. We shall then look at an emblematic example of investment for growth and competitiveness in the transport sector, i.e. the building of the new Lyon-Turin rail freight and passenger link. We shall end with some thoughts on the need for a European legal and financial framework that is adapted to this kind of large-scale infrastructure project.

## 1. WORKING TOWARDS THE TRUE REVIVAL OF THE TRANS-EUROPEAN NETWORKS POLICY

This policy has come a long way. Indeed Euro-

pean Transport was supposed to comprise the third pillar of European integration on the entry into force of the Rome Treaty. However it was not until 1994 that it really took shape as the Trans-European Networks. These do not just involve transport but also the energy and digital networks [1]. It was then based on priority projects that were mainly new axes that had to be created involving a limited number of Member States. From an initial 14 these priority projects totalled 31 in 2001. In spite of some undeniable successes like the completion of the High Speed Links along which the Thalys runs or the Øresund bridge-tunnel between Sweden and Denmark, this policy has struggled because of two shortcomings:

- an adequate budget so that European funding comprises a decisive lever. Hence during negotiations of the last multi-annual financial framework 2007-2013, the Commission's 22 billion € proposal was reduced to 8 billion €. As a comparison, investment in infrastructures in France totalled 15.9 billion € in 2005 alone (source FNTF),

- a sufficiently binding framework so that Member States honour their commitments. Indeed many of these axes include cross-border sections for which there is less political motiva-

1. [http://ec.europa.eu/ten/index\\_en.html](http://ec.europa.eu/ten/index_en.html)

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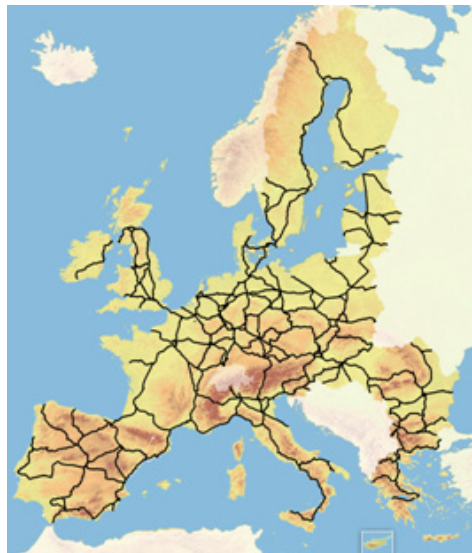
tion than for strictly national infrastructures.

The proposals made on 19th October 2011 mainly break with these ideas. Firstly they are part of a political vision:

- comprising a European budget, the motor of growth and employment for the European Union. Hence the Commission introduces a proposal for the Trans-European networks, comprising the "Connecting Europe Facility" and a 50 billion € budget covering the period 2014-2020 (31.7 of which for transport) and an initiative

in support of Project Bonds for infrastructure funding. This budget that can be compared with the 8 billion of the ongoing period, would represent 10% of the total investments to be made on the core network by 2030;

- comprising a 60% reduction of transport emissions by 2050 and the development of a European economy that is as decarbonised as possible. Hence the core network is multimodal and privileges the railway and all other alternative modes of transport other than the road.



*The map of the trans-European network proposed by the Commission (October 2011)*

Secondly they introduce a true European network integrating both existing infrastructures – which are the most numerous – to be brought up to standard to enable an efficient transport system in Europe, as well as new infrastructures that have to be created, thereby enabling the effective connection of 83 urban centres, 37 airports and 83 ports in the European Union. This so-called core network should be operational by 2030. A second deployment phase by 2050 should enable most European citizens to be within 30 minutes of the core network.

Finally they strengthen the European Union's coordination capability for the effective implementation of this

core network. Notably 10 main corridors structuring the network will be placed under the management of European coordinators who will enjoy greater powers. Moreover European funding will be brought up to 40% for the completion of cross-border sections, which are the most difficult to undertake for political and also for geographical reasons (mountains, stretches of sea etc ...).

### **2. THE LYON-TURIN LINK: AN EXAMPLE OF INVESTMENT FOR GROWTH AND COMPETITIVENESS.**

#### **Presentation and goals**

The Lyon-Turin rail link [2] aims to create a modern line

2. <http://www.transalpine.com/présentation>

between France and Italy so that there is an efficient connection both for freight and passengers. This axis is the key element both for east-west traffic between Spain, the south of France, Italy and south east Europe and also between the UK, Benelux, the north of France and Italy. This axis is served by a railway line that dates back to 1871. Heavy freight trains have to climb to

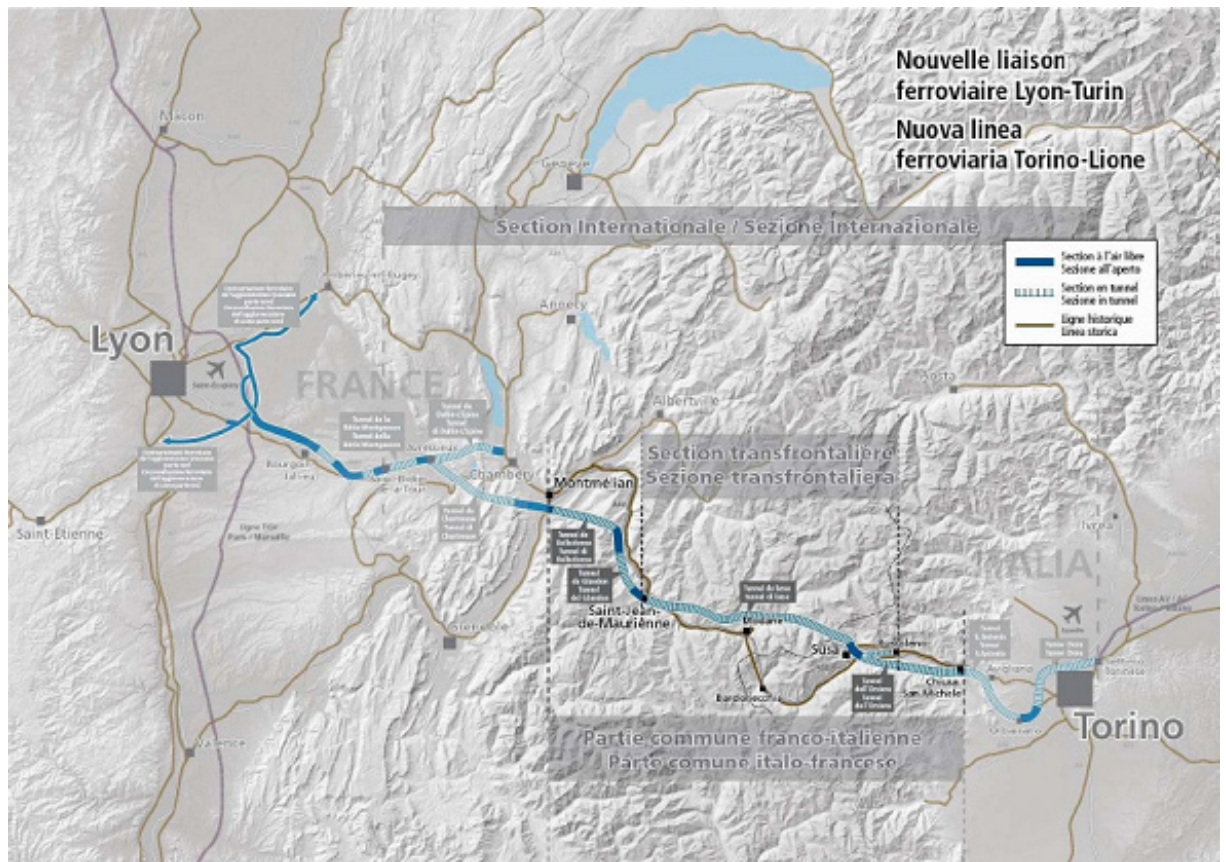
altitudes of 1300m, whilst the same trains run at 800m in Switzerland in the Lötschberg tunnel; very soon they will run at 550m in the future Saint-Gotthard tunnel. It also forces passenger trains to travel at 60km/h as they cross the Alps, placing Milan at 7 hours by TGV (in comparison the high speed train from Paris, takes 3 hours to reach Marseille which is just as far away: 800km!



The new Lyon-Turin rail link is one that is mainly designed for freight. The development of rail freight is a policy initiated by the European Union and which has been successful. With a 10% rise in the volumes transported over the last decade, rail freight has declined in most European countries. France which is still an exception in this area, will soon fall in line with the continental trend, unless it wants to revive its industry, since this mode of transport is largely adapted to industrial requirements. At present 85% of trade across the Franco-Italian border passes via the road, whilst only 65% passes across the Italian-Austrian border and 35% in Switzerland. The Lyon-Turin link aims to change this modal share. It will also enable the development of a high speed passenger link in Europe, offering a credible alternative to short distance flights. With these goals the Lyon-Turin links directly matches the European Union's aim to "decarbonise" the economy.

The Lyon-Turin link includes three elements:

- The so-called base tunnel linking Saint-Jean-de-Maurienne to Susa is the decisive component because it offers a flat route tunnel under the mountain at an altitude below 600m. The investment necessary for its completion totals 8.7 billion €, 8. 2 for works. It will enable the efficient use of freight trains and one hour less journey time for rail passengers. The preparatory work started several years ago and 800 million € have been committed, with European funding totalling nearly 50%.
- Access in France enables links between Lyon-Chambéry to Saint-Jean-de-Maurienne ie 140 km of mixed freight/passenger links – partly devoted to freight.
- Access in Italy will enable the link between Susa and Turin, i.e. 60km of mixed freight/passenger links.



The base tunnel lies on the cross border section of the Lyon-Turin link

The latter part, which concerns Italy, was the focus of strong opposition as of 2005. A widespread consultation procedure was launched under the aegis of Mario Virano, the extraordinary Commissioner for this link. Discussions ended during summer of 2011 with a new trajectory that was approved by most of the communities involved and also by the Italian government. At the same time preparatory work started on the Italian side. In March 2012 Mario Monti, the President of the Italian Council chose to turn the Lyon-Turin link (or rather the Turin-Lyon link, as seen from Rome), into a marker as part of his policy based on budgetary austerity linked to investments for competitiveness and growth.

***A potential growth factor for France, Italy and all of Southern Europe***

The most recent cost-benefits analysis presented in Rome on 26th April 2012 highlights a 5% profit rate of the entire link between Lyon and Turin, in other words a net present value of between 12 to 14 billion € after

50 years. The first to gain from this link will be businesses, notably industrial companies which will benefit from the improved efficacy and reduced rail transport costs on mid to long distance journeys.

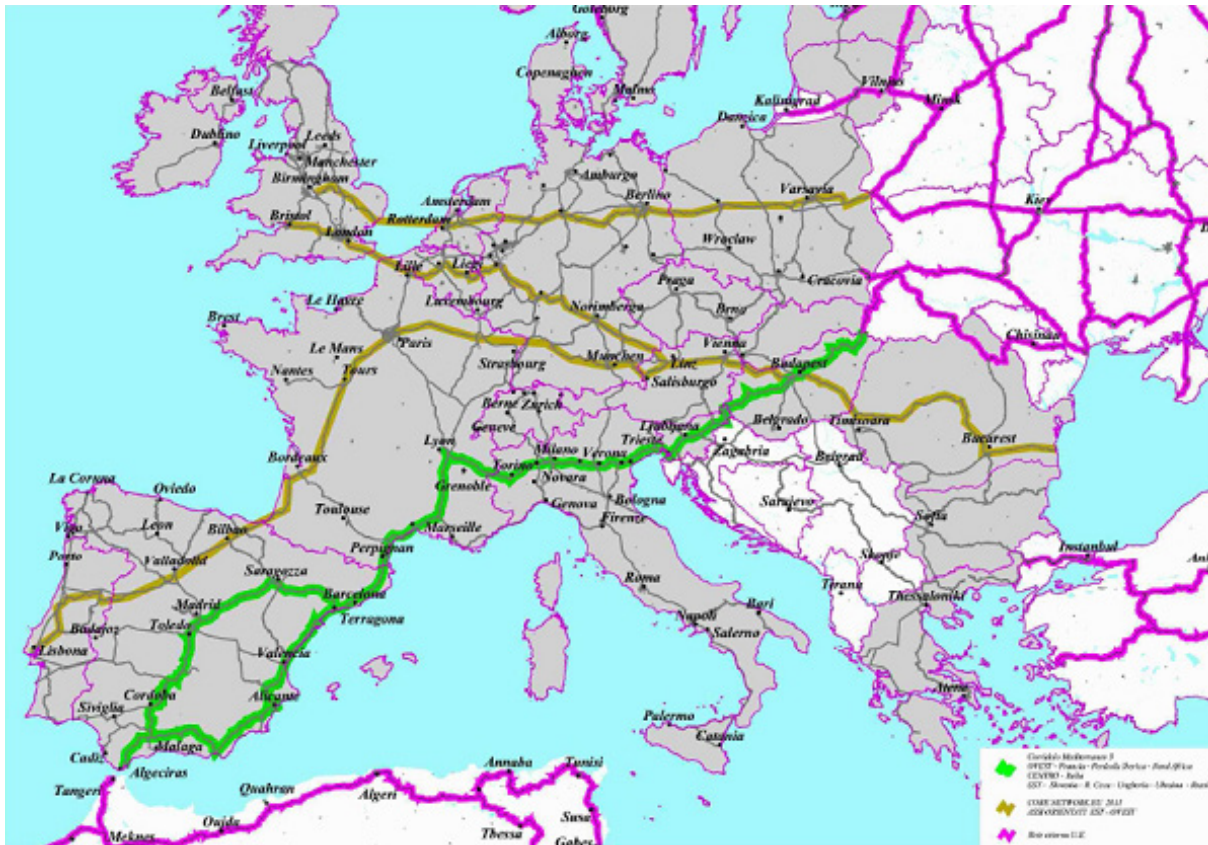
As soon as work starts the positive effects on growth will be significant. The completion of the base tunnel alone in the Alps will generate between 6,000 to 10,000 jobs, both directly and indirectly, over the coming ten years. Given the spread of this investment between the EU, Italy and France, positive effects will be achieved in optimal financial conditions.

The impact of this new link goes beyond the strict Franco-Italian framework because it is in fact a "revolution" for transport in the south of Europe, comparable to the Channel Tunnel – and Thalys for North West Europe.

The Lyon-Turin rail line is the strategic element at the centre of the Mediterranean corridor (corridor No.3), which connects up the major economic, industrial areas of southern Europe with each other and with the rest of the continent: the Spanish economic axes of

Catalonia, South East France, notably Rhône-Alpes, its second most important industrial region, the North of Italy, Europe's second most important industrial basin

(which alone represents 7% of the Union's GDP). In all 200 billion € in annual trade are directly involved in this link.



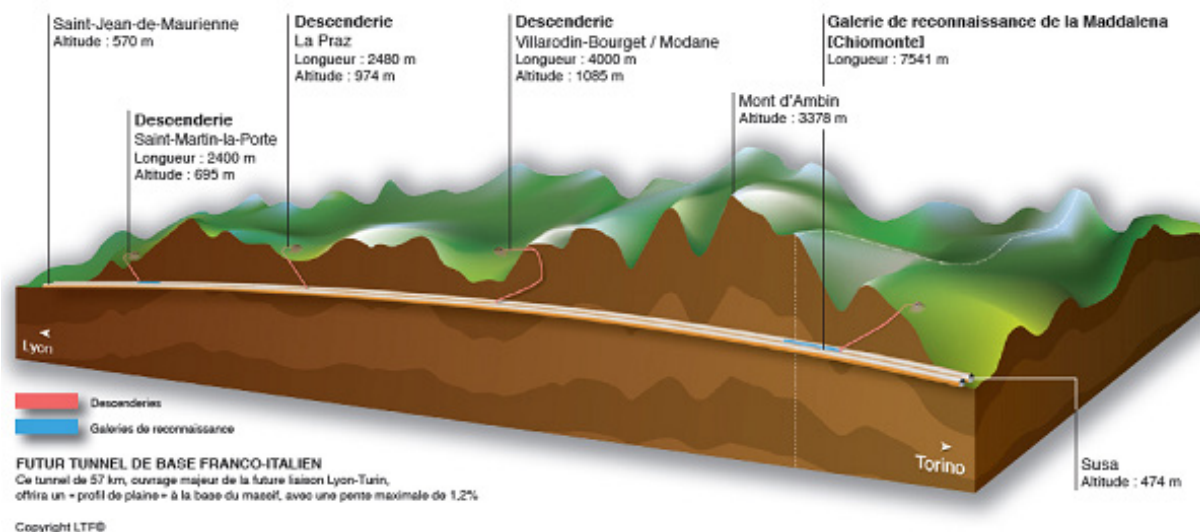
The Mediterranean Corridor (in green)

One of the features of the economy in the Northern Europe is that it enjoys an extremely dense, high quality transport network. We simply have to look at the map to gauge this. If the whole of the Union wants to recover a sustainable growth path, it is vital for the south to have comparable advantages. By saving time and enabling better performance the Lyon-Turin rail link is decisive in terms of transport of merchandise as well as passengers.

### 3. THE NEED FOR AN ADAPTED EUROPEAN LEGAL AND FINANCIAL FRAMEWORK

Although it is a flagship project in the TEN-T policy, the base tunnel in the Lyon-Turin link is nevertheless an "exceptional" project due to its scale. In the discussions over the financial regulation of the TEN-T in 2007 the idea of the large scale project came to the fore. It is now time to draw up an adapted legal framework for their completion.

► UN TUNNEL DE BASSE ALTITUDE DE 57 KM ENTRE SAINT-JEAN DE MAURIENNE ET SUSE, QUATRE GALERIES D'ACCÈS (DONT 3 DÉJÀ RÉALISÉES).



Large scale projects stand apart from infrastructure projects because of two features: they represent major investments (several billion €) and they are not phasable: the expected benefits are linked to the completion of the entire investment.

When there is a new flat rail link or a motorway each section that is completed provides improvements. Hence the lines on which the Thalys runs were brought into operation progressively: first Paris-Lille, then Lille-Brussels, then Brussels-Amsterdam. Hence the project can be phased and potentially, budgetary constraints can be introduced.

In the case of a tunnel under the Alps, like the Mont-Cenis (Moncenisio) tunnel in the Lyon-Turin link, a "lump" investment of 8 billion € is necessary. There are some other, similar major European projects: the Brenner Tunnel between Austria and Italy (6.4 billion €) or the Fehmarn Belt fixed link between Denmark and Germany (5.1 billion €).

In return these large scale projects provide just as exceptional benefits in the sense that they "change geography" as was the case with the Channel Tunnel at the end of the last century.

The legal framework put forward by the European Commission has to take these specific elements on board otherwise it will be ineffective in the achievement of vital infrastructures. Two main problems prevail: the Member States' commitment that is not

the same as that of the European Union and the time limits of the multi-annual financial framework.

The funding rule of TEN-T infrastructures is that the States involved, generally two in the case of cross-border sections, commit to the project's completion, including from a financial point of view, then they turn to the Commission for a subsidy. But if this subsidy totals 40% of an investment of over 8 billion €, i.e. more than 3 billion, we understand that the procedure leads to a vicious circle. The States wait for the subsidy before committing themselves and the Commission waits on the States' commitment to set the amount of the subsidy. Given the amounts involved it would be better to adopt a type of "closing" procedure in which each commits to provide the necessary resources for the completion of the investment at the same time. In his report to the Regions Committee on the new TEN-T policy Bernard Soulage, Deputy Chairman of the Rhône-Alpes region suggests the implementation of tri-partite contract programmes for the completion of cross-border sections, which jointly commit the two States and the European Union. This kind of solution is also planned for in the future regional policy in the shape of partnership contracts within which the regions, States and the EU would jointly commit. It is most certainly one solution.

The other difficulty to overcome is that of timing. The Union's financial commitment is limited to the seven

years of the multi-annual financial framework (MFF). However these large scale projects take more than ten years to complete. In the case of the Lyon-Turin link the project is due to start in 2014 and come to an end between 2013 and 2025, i.e. the time of two financial frameworks. Likewise it is difficult to make an investment if the financial commitment of one of three main players does not cover the entire duration of the operation. As part of the present process the funding rate and corresponding sums provided by the EU are only guaranteed until 2020 i.e. 2/3 of the operation more or less. This uncertainty weighs one billion € however. It seems necessary to plan for the tripartite contract committing the EU beyond the MFF, until the operation has been completed.

These modifications to the legal framework of the TEN-T could be integrated during the on-going discussions both within the Council and the European Parliament. They are necessary to the corridors involved in these large scale projects. They are also necessary for all of the TEN-T policy which has to be able to use flagship projects as support where European added value is obvious. Only these large scale projects, and singularly, the base tunnel in the Lyon-Turin link, are likely to provide this.

In addition to these changes the approval of the Commission's proposals is vital. More specifically the 50 billion € budget allocated to the Connecting Europe Facility. The growth policy sought after by both the Union and the Member States is undoubtedly part of this initiative. Italy now wants this budget to be increased. If this is true and if the European "Project Bonds" become a reality no one doubts that the development of sustainable infrastructures will be possible in Europe over the next ten years. These will provide a decisive contribution to growth and employment in the EU and to its transition towards the post-carbon economy. The Lyon-Turin rail link is an integral part of this logic.

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## Annex

### Annex 1: Key dates in the Lyon-Turin line

**1991:** Official launch of the project at the France-Italy summit of Viterbo

**1994:** A priority project for the Union at the European Council of Essen

**29th January 2001:** Franco-Italian Treaty of Turin launching the preparatory phase

**18/12/2007:** Declaration of the public utility of the tunnel on the French part

**2007:** 27% subsidy on the part of the European Union for the period 2007-2013, i.e. 671.8 million €

**2010:** Three access galleries completed in France (i.e. 9km completed and 824 million € in spending committed for the end of 2010)

**2011:** Start of works on the Maddalena tunnel and a new line in Italy

**19/10/2011:** Proposal for inclusion in the EU's Core transport network

**30/01/2012 :** Addendum to the international treaty signed on the means of completion of the base tunnel under Mount-Cenis

- New Financial Agreement: request for the highest rate of subsidy (40%) from the EU and the splitting of the rest between Italy (58%) and France (42%)

- Creation of a public developer for the completion and operation of the base tunnel which the European Commission will participate in.

**2013:** Decisions involving the new trans-European policy and the Connecting Europe Facility.

**End of 2013-start of 2014:** Launch of the main work on the base tunnel under Mount Cenis

**2023 – 2025:** Brought into service Lyon-Turin Transalpine link



**Annex 2: The intergovernmental agreement signed on 30th January 2012  
the so-called Turin Treaty**

After long months of negotiation France and Italy signed a new intergovernmental agreement on 30th January for the completion and operation of a new railway link between Lyon-Turin. It comprises 24 pages and three annexes.

The amendment of 30th January 2012 is not the amendment made to article 4 of the Turin Treaty. In this capacity it is not a final commitment to work on the base tunnel but establishes the means.

1 – Firstly the agreement defines the various sections of the new line:

- a cross border section stretching from Saint-Jean-de-Maurienne to Susa including the base tunnel of 57km, new stations in both towns, links to the existing networks and three security sites at La Praz, Modane and Clarea.
- A joint section starting near Montmélian extending to Chiusa San Michele (at the end of the Susa Valley), integrating the tunnels of Belledone and Glandon in France and the Orsiera Tunnel in Italy.
- an international section between Saint-Didier-de-la-Tour (to the east of La Tour du Pin) and the rail hub of Turin.

The agreement stipulates that the cross-border section ie the base tunnel, will be completed in phase 1.

2 – Secondly the agreement plans for the creation of a public body responsible for the completion and operation of the cross-border section (the Public Developer). It also plans for the transfer of the management of the historic Fréjus line over to this developer. The Developer will therefore be the infrastructure manager of the entire Franco-Italian crossing at Mount Cenis. There will be:

- an HQ - at least 50% of its employees will be in Chambéry, its operational HQ in Turin.
- an Franco-Italian Executive Board, including a representative of the European Commission, as non-voting member,. The Rhône-Alpes and Piemont regions will be guest observers,
- a Chairman of the Board, a Chairman of the Contracts Committee, a Chairman of the Standing Supervisory Department and a Legal Director appointed on the French side,
- a Managing Director responsible for all operations, a Financial Director appointed on the Italian side.

The agreement then lays out the Governance of the Public Developer in order to guarantee the greatest degree of legal protection possible via a Contracts Committee and a Standing Supervisory Department. In the main the law applicable in the completion of the base tunnel will be French law. The Public Developer replaces the LTF within the 12 months following its completion and after the transfer of LTF's assets.

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3 – Thirdly the agreement extends the competences of the intergovernmental committee as far as the completion of work on the base tunnel is concerned.

- Monitoring of the historic Fréjus line,
- Creation of security and safety committees.

The agreement divides the funding of the cross-border section between France and Italy based on the estimated cost at this stage of the project (8.2 billion €, value dating back to 2010) : 42.1% for France and 57.9% for Italy, with the contribution made by the EU having been deducted and the share funded by tolls paid by rail companies. Any possible extra cost will be taken on equally by both countries. The land acquisitions necessary for the building (around 300 million €) are the responsibility of each of the States in their respective territories. France and Italy commit to requesting a subsidy from the EU at the maximum possible rate.

The agreement then provides details of emergency measures to be implemented once the base tunnel is operational and plans for the introduction of additional protocols for the organisation of police and customs checks. In annex the agreement sets the principles of the financial package by aiming to rally as much private capital as possible, revenues from traffic and to optimise the impact of the works' completion in terms of public deficit and the respect of the EU's Stability and Growth Pact. In annex the agreement then defines a policy to promote the modal shift in Franco-Italian crossing points by integrating Ventimiglia:

- a new, heavy duty rail-motorway service in 2012 and a new terminal near Lyon in 2014,
- 3.5% increase on tolls over inflation in the road tunnels of Mont-Blanc and Fréjus between 2010 and 2015 to fund the safety tunnel in Fréjus and projects that foster intermodality,
- Progressive regulation of heavy goods traffic on the basis of environmental standards, according to the new offer made by alternative rail services,,
- Modulation of tolls on road tunnels according to the euro heavy goods vehicles ranking and a possible ban on heavy goods vehicles, euro 1 and 2 (the most pollutant) as well as the transport of dangerous goods,
- Attempt to limit transfer of traffic to Ventimiglia,
- Study by the IGC of the implementation of the Eurovignette directive and granting of all or some of its revenues to the funding of the new Lyon-Turin line,
- Better coordination of the historic line: harmonised management of pushing locomotives, reduction of the border effect,
- Development of motorways of the seas services with Spain,

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- Regulation and reduction of road traffic across the Alps as a whole by 2025 as part of the Zurich group.

*As with any intergovernmental agreement the one between France and Italy on 30th January 2012 has to be ratified by the Parliaments of both countries. This will take several months.*

*However simultaneous to the ratification process four measures have to be taken immediately by the French and Italian governments to prepare for the smooth implementation of the January agreement.*

*1 –Create the Public Developer: this means creating a company, recruiting the main managers, as in 2001 on the creation of the LTF whilst the Turin Treaty was only ratified in 2002. The creation of the Public Developer in 2012 is vital to be ready for the calls for European funding that is due to occur in 2013.*

*2 –Support the European Commission's proposals regarding the Trans-European Networks and the Connecting Europe Facility at the European Council: the Council in which the States sit has to take a decision in 2012 regarding two proposals made by the European Commission on 19th October 2011,*

- the revision of the Trans-European Networks with the creation of a Core Network before 2030 that includes the Lyon-Turin link,*

- The Connecting Europe Facility planning a budget of 31.7 billion € for transport infrastructures and the 40% funding of cross-border sections.*

*3 –Full use of European subsidies available until 2015 to continue preparatory work by the LTF and notably the drilling of an initial tube between the galleries of Saint-Martin-de-la-Porte and La Praz.*

*4 – Provide this agreement with wider public exposure, the signature of which has not been part of any significant governmental communication so far: Italy is our second most important trade partner and most certainly the closest country to France from a human and cultural point of view. Paradoxically it is the last EU country with whom we have no modern rail link whilst Milan is equidistant from Paris as Marseille (around 800 km).*