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Italy's finances threaten European rail tunnel plan

By George Parker in Brussels

Tenders have been opened for one of Europe's most ambitious transport projects – a rail tunnel helping to connect Lyons and Turin – but Italy's parlous public finances could be as much of an obstacle to the scheme as the Alpine terrain.

The project is one of 30 road, rail and sea schemes that Brussels wants to help finance to connect the EU's 27 member states and improve the operation of Europe's single market.

But new figures suggest Italy could have trouble funding its share of the new Alpine tunnels – which would bypass chronic bottlenecks with the rest of the continent – because it is already struggling to meet the EU's budget rules.

Paolo Costa, an Italian MEP and chairman of the European parliament's transport committee, has calculated that Italy would have to stump up more than €47bn ($63bn, £32bn) between 2007 and 2020 to pay its share of three big infrastructure projects.

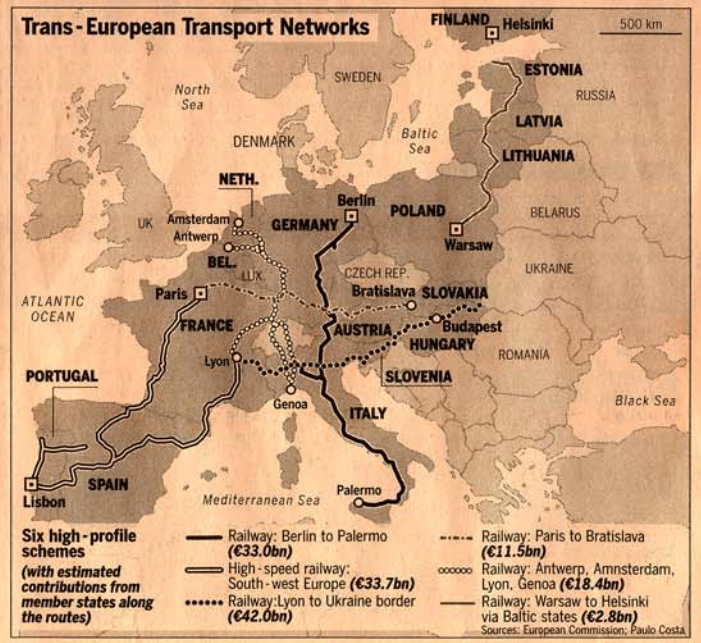
With a debt of almost 107 per cent of gross domestic product – well above the EU's 60 per cent target – Italy can ill-afford these prestige projects. Its deficit is expected to fall to 2.1 per cent of GDP this year – below the EU stability pact's 3 per cent ceiling – but Rome has vowed to balance the budget by 2010.

Brussels has given member states until July 20 to reply to the tender offers, explaining how they would fund their share of the so-called trans-European network. If successful, they could receive EU funding from an €8bn budget line.

Mr Costa believes the stability pact should be applied flexibly to allow Italy to invest in long-term projects to boost Europe's economy, helping it to get around short-term problems.

Other countries facing big bills for the European transport projects over the next 13 years include Spain with €53bn, Germany with €27bn, France with €21bn and Hungary with €8bn, according to Mr Costa.

He said the Lyons-Turin tunnel and another proposed Alpine rail route from Italy to Austria were "crucial" in meeting Europe's economic goals as well as boosting the environment by moving traffic from road to rail.



Mr Costa said the European Commission should convene a conference to persuade other member states to let Italy and Hungary – which also has big deficit problems – fund long-term projects.

But Commission officials said it was "highly unlikely" Italy would win any special concessions, arguing that introducing exceptions to the stability pact calculations would be like opening a "Pandora's box".

Jacques Barrot, EU transport commissioner, estimates that the tunnel connecting France and Italy would cost €6bn-€7bn, of which Brussels could pay up to 30 per cent.

The project is part of a rail corridor from Lyons to the Ukrainian border.

But such projects are fraught with problems. The private sector often shies away from them because they are high-risk, involving difficult engineering and political problems associated with working with more than one government.