



The TEN-T Priority Project No 6 Lyon-Turin, between popular struggles and economic crisis

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The High Speed Black Book

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OBSCURE POINTS, FALSE AND FRAUD

The entire project management has been accompanied by acts, communications, contracts and opinions that are characterized by their opacity when not explicitly false.

The most sensational sham, which allowed for a contractual architecture to be built with agreements and procedures outside of any public record, is that of private funding of 60% of the costs; a falsehood that has already had its serious effects on public finances.

In paragraph 966 of the only article of Law No. 296/2006, the budget for the year 2007, sanctioned the following economic forecast: <<charges for principal and interests on those loans and securities issued by Infrastructure Spa (joint-stock companies) until the date of December 31, 2005 for the financing of infrastructure investments for the realization of the high-speed rail "line Turin-Milan-Naples", as well as charges of related fundings are taken directly from the State's budget>>. With that it was acknowledged that the "private funding" for the construction of high-speed train's infrastructures was really, in fact, a sheer lie. The amount of this charge: 12,950 million.

This blatant lie was only revealed through the European Union which, under the infringement procedure for excessive deficit, which was launched in 2005 and closed in 2007, explicitly asked us to remove the "TAV scam", which was to keep the so-called high-speed private funding out of the public accounts.

THE REAL COSTS OF THE HIGH SPEED IN ITALY

The High Speed Railway project had its formal launch on August the 7th in 1991. It provided for the creation of the lines Milan-Naples, Turin-Venice and Genoa-Milan. The total estimated cost was of 26.18 trillion lire (equal to 14.156 billion euros).

COST ITEMS 7 AUGUST 1991	BILLION LIRE	SUBJECT OF SUCH CONTRACTS
SECTIONS	18.100	Final design and construction: MI-BO (Milan-Bologna); BO-FI (Bologna-Florence); FI-RM (Florence-Rome); RO-NA (Rome-Naples); TO-MI (Turin-Milan); MI-VR (Milan-Verona); VR-VE (Verona-Venice); GE-MI (Genoa-Milan).
JUNCTIONS	2.080	Final design and construction of the junctions: Naples, Rome, Florence, Bologna, Milan, Turin, Verona, Venice, Genoa.
ROLLING STOCK	4.800	Supply of 100 ETR 500, fixed train sets with 2 locomotives and 12 carriages.

AVIATION INFRASTRUCTURE	1.200	Construction of power lines and the control system and signaling for all routes and junctions.
INTERIM INTEREST	1.500	Interest during the execution of the work until the beginning of operation.
TOTAL	27.680	

(COST OF EACH ITEM OF THE TAV PROJECT PRESENTED ON August 7, 1991)

OVER 20 YEARS SINCE ITS START, THE COST OF THE PROJECT HAS RISEN OVER 90,000 MILLION EUROS. TO THE ABNORMAL INCREASE OF THE PROJECT'S COST, MORE THAN QUINTUPLED, ONE MUST ADD THE HOAX OF THE TOTAL LACK OF PRIVATE INVESTMENT.

THE RAILWAY LINES

The construction of the ground infrastructure was given to "TAV SpA" with a contract having as its subject "the design, construction and the ECONOMIC EXPLOITATION of the infrastructure for the High Speed Train."

The same TAV SpA, without any public procedure, awarded seven contracts, to as many companies or consortia of companies, which are only intended to detailed design and construction with the total exclusion of management.

The seven contracts were awarded by TAV SpA and negotiated without any market test, nor any control by any public body responsible.

No contract has so far been closed, not even those relating to the sections in operation (Turin-Milan, Milan-Bologna, Bologna-Florence, Rome-Naples), whilst the other contracts are not yet in their final upgrade.

The estimates for the completion of the works of the seven sections indicate a cost of 47.750 million euro, equal to a unit value of 519 compared to the value 100 of 1991, with a cost increase of over 400%.

SECTION	CONTRACT 1991 (millions €)	OFFICIAL DATA 2006 (millions €)	INDEPENDENT ESTIMATES 2010 (millions €)
Turin-Milan	1.074	7.788	8.300
Milan-Bologna	1.482	7.150	7.950
Bologna-Florence	1.074	5.954	6.700
Rome-Naples	1.994	6.235	7.200
Milan-Verona	1.125	5.735	6.400
Verona-Venice	869	5.455	5.900
Terzo valico (former Ge-Mi)	1.585	4.979	5.500
Total cost	9.203	43.296	47.950
Unit Change	100	470	521

(Official data and independent estimates for the High Speed routes under contract in 1991)

All funding for the project were provided or guaranteed by the State, whilst to date there is not a single euro of the vaunted private investment.

THE JUNCTIONS

The creation of junctions, namely the railway sections entering the railways station of the cities concerned, was initially scheduled to be borne of the TAV SpA.

The inertia and lack of skills have subsequently led **FS SpA (Ferrovie Statli - State Railway)** to unbundle this duty from the contract and entrust it to **RFI (Rete Ferroviaria Italiana – Italian Rail Network)**. In this case, the changes in costs compared to what was communicated in 1991 are just as sensational and far from final.

Millions of euro	Official Values 1991	Official Data 2006	Independent Estimates 2010
“Junctions” Costs	1.064	5.752	8.400
Unit Change	100	540	789

(Costs of penetration routes in the railway stations’ junctions of the cities involved)

No junction of the involved cities’ railway stations (Turni, Milan, Bologna, Florence, Rome, Naples, Genoa, Verona, Venice) is currently definitively solved and it is this delay, with which this part of the project was started, the main cause of the disruption caused to the so-called universal rail service.

With the entry into service of the new lines and without the solution of the junctions (for a few years still) the funnel effect in the stations has become and will remain for a few years particularly critical.

THE AERIAL INFRASTRUCTURES

For the realization of aerial infrastructures (power lines and signs) of all lines, sections and junctions, the task was entrusted to a single consortium, the Consortium SATURN SCRL.

Even in this case the award of the contract did not follow any public procedure and no market review. The same company organization has suffered, as in the case of the sections’ foster consortia, significant changes over time and in this case even in favor of foreign multinational firms with no control of the manner and timing with which this input is produced.

Millions of euros	Official Data 1991	Independent Estimates 2009
“Aerial Infrastructure” Costs	614	3.200
Unit Change	100	520

(cost of power lines and related infrastructures)

While the cost announced in 1991 was 614 million EUR (in this case, we should point out the total absence of official data and communication costs incurred for the construction of this essential part of the project), independent sources provide an estimate of 3,200 million euros.

INTERIM INTEREST

To the extraordinary increase in costs (which HST SpA covers entirely, with state funding and loans guaranteed by the state itself, in favor of the 7 consortia of companies so-called general-contractor) the financial burden must be added, directly borne by the State, for loans activated by or for TAV SpA (Spa Infrastructure, RFI SpA).

In the project presented August 7, 1991, these charges, so-called interim interest, were estimated at 1,500 billion lire (770mila euros), while today they are estimated by independent technical sources at 8.7 billion euros.

Millions of euro	Official Values 1991	Independent Estimates 2010
Interim Interest	770	8.700
Unit Change	100	1.130

(Interest expense on loans before the service begins)

THEREFORE THE FINANCIAL BURDEN UP TO THE CLOSING OF THE CONSTRUCTION SITES WOULD CHANGE FROM A NET ASSET VALUE 100 ESTIMATED BY FS IN 1991 TO A VALUE TODAY ESTIMATED AT 1130, WITH AN INCREASE OF OVER A THOUSAND PERCENT.

THE HS TOTAL PROJECT COSTS OF 1991

The cost of the project presented in August 7, 1991, estimated at a total figure amounting to 14.156 billion euros, has now (also considering the cost of the public companies involved in various capacities in project management and for compensatory works or induced for the specific realization of the HS lines and not accounted for by official sources) grown to 96.85 billion euros.

HS PROJECT COST ITEM 1991 (MILLIONS OF EURO)	OFFICIAL COSTS 1991	INDEPENDENT ESTIMATES 2010
SECTIONS	9.254	48.700
JUNCTIONS	1.064	8.400
ROLLING STOCK (ETR 500)	2.454	8.200
AERIAL INFRASTRUCTURES	614	3.200
INTERIM INTEREST	770	8.700
TAV TOTAL PROJECT 1991	14.156	77.400
TAV Project Unit Change 1991	100	547
Studies, design and construction of the new stations for the High Speed with public funding	non quantified	6.350

Direct costs and expenses of FS, RFI, TAV, SISTAV-Italferr, Italferr	non quantified	3.900
Works induced and/or compensatory related	non quantified	9.200
PROJECT TAV TOTAL COSTS 1991	14.156	96.850
Project TAV Unit Change 1991	100	684

(Change in cost of the HS project presented and contracted in 1991)

MADE 100 THE ESTIMATED COST CONTRACTED IN 1991 TODAY WE HAVE AN ESTIMATED COST EQUAL TO 684 AND, EVEN NOT INCLUDING THE THREE ITEMS NOT CONSIDERED IN THE PROJECT COST PRESENTED IN 1991, IT HAS INCREASED FROM A NET ASSET VALUE OF 100 IN 1991 TO A NET ASSET VALUE OF 547 WITH A PERCENTUAL INCREASE OF 447%.

COMPARISON WITH OTHER COUNTRIES

The FS SpA's CEO, in a testimony to the Senate's VIII Committee in March 2007, handed Senators the data for HS infrastructure cost in our country compared with that of other countries.

The data provided by FS Spa to the Italian senators indicate an average cost for operational Italian routes of 32 million euros per km (564 km for the Turin-Novara, Rome-Florence, Naples-Rome sections), compared to 10 in France (1,548 km of lines) and to 9 for Spain (1,030 km of lines).

In the case of France and Spain, the average cost per km included all infrastructures (including aerial, interconnection and those for the mitigation of impacts).

In the Italian case instead, only the sections' cost of ground infrastructure was considered. Not only that, in calculating the average cost of the lines built, the route of 241 km Florence-Rome was also included (made many years before with a completely different architectural contract), while in the costs of the Rome-Naples and Turin-Novara and all others (in planning or under construction) is not considered the financial burden of the interim interest paid or payable for the duration of construction and until the start of the service.

The actual average cost per km in Italy, compared with that of other countries, is that developed by an independent source and disclosed in the following table.

HIGHT SPEED TRAIN (Country)	KM	EMBODIMENT	Line Section	COST BY KM (MILLIONS OF EURO)
TGV (France)	417	Procurement of National railway company	Line Paris-Lyon	10,2
AVE (Spain)	470	Procurement of National railway company	Line Madrid-Seville	9,8
TAV (Italy)	589	Loans by private general contractors	Line Turin-Naples (excluded Flo-Ro)	60,7

(Consistent comparison of costs for the High Speed train infrastructure with dedicated lines)

FUTURE COSTS AND FINANCIAL EXPENSES

The cost for the construction of the infrastructure described does not take into account future liabilities that the loans will project into the state coffers and in people's pockets. The costs incurred and to sustain until the closing of the construction sites are largely covered by "loans" and thus to be returned to the banks with further interests.

While, in fact, the "interim interest" (already considered as an item of cost) is covered by the annual state budget, the coverage of the share capital, and related interest, to be returned will have to be assessed from the moment of the activation scheme of "service AV/AC", ie from 2009 onwards.

Even in this case official and reliable figures have never been provided. The estimates indicate in an amount of approximately 1,700 million euros, the annual average share, for about 30 years, which is necessary for the extinction of debts to the banks, not covered by the profits of HS service management.

PUBLIC DEBTS HIDDEN BY THE TAV MODEL

Despite what has been so far revealed, exactly the so-called "model TAV" was taken as reference for the construction of major works of the "Target Law" (Law No. 443/2001). It was with this law that other works have begun in recent years which are creating more potholes in the state budget. In this way, Italy continues to hide in the accounts of private companies (such as the Strait of Messina SpA or the Quadrilateral SpA) allegedly private investments, which are in effect public debts.

This data alone would largely motivate a radical rethink of the part of the project still in its planning stages (the Milan-Venice and Genoa-Milan sections under contract in 1991) and even more on new lines with only preliminary projects (Lyon-Turin and Venice-Trieste) and other even less defined.

The devastating effect of the TAV model on future public finances, however, does not only concern major public projects.

The risk-free "project financing" for individuals and the "private company" with public ownership are now widespread across Italy, thanks to new rules for public contracts (as opposed to, or deviated from those contained in EU Directives) and policies of privatization of public services (without liberalization and with public JSC). It is now an extraordinary phenomenon, poorly analyzed by economists and literally unknown in the confrontation between political forces.

The TAV model project financing in Italy is now common practice also for works promoted by local authorities: the estimate of the investments made with this model are now estimated at 200 billion euros.

The spread of the JSC directly or indirectly controlled by public bodies have grown with geometric progression: The estimate is of approximately 20,000 JSC or private limited companies directly or indirectly controlled by the State, Regions and Local Authorities.

APPEAL TO THE EUROPEAN PARLIAMENT

We point out to the European Parliament that in the Italian public debt, equal to 120% of GDP, are not considered those debts of private "law companies" (publicly funded) and those of private companies (with private capital) for "project financing" fully guaranteed by public entities. In both cases, these are in effects public debts, hidden in the private accounting or of companies with public capital, just as with the HST model.

The exact amount of this debt, being hidden in the accounts of private companies, is not calculated by any state institution, but can be estimated in an amount contained between 15 and 20% of GDP and its emergence would bring the country's actual debt between 135 and 140% of GDP.

We point out to the European Parliament that in the commitments Italy is making at this time to face the public finances crisis, there is no provision to remove this glaring omission, and above all, no provision to remove the causes that help increasing this hidden debt, therefore likely to increase.

Not only that, from the drafts of measures "for development" that the Italian government is preparing to submit to Parliament, it is these modes of investment which are strengthened and encouraged. We therefore appeal to the European Parliament to ask our country to account for this glaring omission and especially to prevent that the TAV model drag Italy and Europe towards a catastrophe of the public accounts.

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