



## PRESS RELEASE

### TELT updates the lifetime cost of the cross-border section of the Lyon-Turin railway line

On Friday 26 July 2024, the TELT Board of Directors was presented with an update on the estimated cost of constructing and equipping the cross-border section of the Lyon-Turin railway line.

The updating of these costs is one of TELT's commitments to the Italian and French governments. Validated by a third party, the consulting firm Grant Thornton Financial Advisory Services, this takes into account both the awarding of large works contracts and their progress, as well as the precise calculation of provisions for risks and contingencies, and the macroeconomic environment.

Following the creation of TELT in 2015, the estimated cost of the project was estimated by a third party at €8.6 billion (based on 2012 euros). This estimated cost was updated to take into account the completion, in 2023, of the award phase for all civil works contracts for the base tunnel in Italy and France. On this basis, the projected cost of the project has been re-evaluated at €11.1 billion (on the same basis, 2012 euros). The delivery of the entire cross-border section, equipped and tested, initially planned for the end of 2032, is now scheduled for late 2033.

This update of the lifetime cost of the project and the works schedule is based on three main factors, most of which are external, which have had a structural impact on the progress of the construction sites since 2015.

1) *The volatility of the macroeconomic environment over the last four years.*

The Covid-19 pandemic and the conflict in Ukraine, in particular, have made it necessary to take into account additional costs, as well as delays of up to 12 months on some construction sites. In this context, the availability of raw materials has been greatly reduced and their cost has increased significantly, sometimes making it necessary to redefine procurement plans.

2) *An explosion in demand in the public works sector in Italy and France has led to a gap between the initial estimates and the bids actually submitted by the groups of companies for the base tunnel works.*

The large-scale public works sector has been characterised by the simultaneous implementation of several major projects of exceptional magnitude in Italy and France, such as the works related to the National Recovery and Resilience Plan (PNRR), as well as the Brenner Tunnel, the Terzo Valico, the Grand Paris Express and the works for the 2024 Paris Olympic Games. The simultaneous implementation of these major projects has put pressure on the availability of skilled labour and the supply of raw materials.

In this context, the initial bids submitted by the groups of companies were, on average, well above the estimated amount in the calls for tender. In order to obtain more economically advantageous bids, TELT pursued a rigorous negotiation policy with the bidders, which made it possible to improve the technical quality of the bids while limiting the increase in their



value. In fact, TELT applies French law to all its tenders, which provides for the possibility of negotiating bids during the contract awarding process.

3) *Geological constraints linked to the technical complexity of the work.*

During the excavation of the four ventilation shafts in Avrieux, France, unforeseeable technical difficulties were encountered. These led to delays and additional costs, which were incorporated into the financial evaluation and project schedule. To address technical challenges such as this, TELT has implemented innovative solutions, such as the use of new robots, which allow for a better response to problems in the field and greater efficiency in the management and coordination of the various operational project sites.

To better manage future unforeseen events in the project, TELT has proactively negotiated the inclusion of additional prices in the contracts to cover, up to 8%, non-routine activities (e.g. prolonged supply of resources, special management of excavation materials, reinforced structures, drilling, analysis, additional tests and construction site shutdowns). The amount is in line with that recommended by CETU (Centre d'Études des Tunnels) for projects under construction.

Construction of the cross-border section of the Lyon-Turin line is in full swing between Italy and France, with ten active open-air and underground construction sites. To date, a total of 37.3 km have been excavated, including 13.7 km of base tunnels, out of the approximately 164 km of tunnels planned for the project. The construction sites, which currently employ over 2,500 people in the two countries, will employ 4,000 direct workers at peak activity.

TELT is the bi-national public promoter responsible for the construction and the management of the cross-border section of the Lyon-Turin freight and passenger rail link. The company is 50% owned by the Italian state, through Ferrovie dello Stato Italiane (FS), and 50% by the French state.

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