

## **The Feasibility Studies In Large Projects Evaluation: The Case Of The Restoration Of The FIAT-LINGOTTO Factory In Turin**

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In the 1990s there has been a steady decrease of the expenditure for territorial public investments. Towards the end of the decade this phenomenon came to a halt and the amount of those expenditures started to show a renewed increasing trend. In order to consolidate this trend-turn, appropriate supporting actions were necessarily taken, and they didn't simply take the direction of an increase in the financial investments. The re-introduction of the feasibility study (S.d.F.) in the planning cycle was promoted by the public works framework law, by successive implementing regulations and circular letters as well as by law no. 144/99, and it contributed to a more transparent and careful selection of the investment options. This was meant to avoid the dispersion of planning skills and public financial resources.

The aim of the present study is to thoroughly analyse, starting from a general definition, the feasibility study tool, and, through a case study, to try to identify its actual effectiveness and forecasting capacity in the field of investment profitability evaluation.

The case of the transformation of the FIAT-LINGOTTO factory in Turin raises substantial issues, not only about the operation itself, but also on the requalification and real estate development processes of large structures, or large urban strategic areas.



Shopping gallery - Picture taken from: [www.8gallery.com](http://www.8gallery.com)

From the analysis of this transformation and from the comparison with the approved feasibility study on the examined area it emerges that the theoretical substantial margins of financial as well as economic profitability imagined for this intervention were, in fact, never achieved. Now that the transformation has already taken place, it is perfectly clear that a highly symbolic urban area has been enhanced, but at what cost? Surely not at the budgeted cost.

Even considering the mitigating circumstance that some initially included functions have never been started and that they have eventually been superseded by others, at the same time, it must be acknowledged that, for those functions correctly identified by the feasibility study and actually established, not even the lowest profitability forecast were met. The forcedly optimistic feasibility study forecast have been completely disregarded, especially about the trade fair centre, supposedly the “*transformation driving engine*”, that was to generate income flows so high that they would be used to realize other functions.

Besides, the public-private company that, according to plans, was supposed to be set up in order to manage the project, found it actually extremely challenging to start off the transformation phases and to subsequently manage the established functions. This was due not only to a somewhat *unnoticeable* and controversial participation of the public component – mainly represented by the city administration - that would require huge investments in order to realize the urbanistic works, but also because of a general superficial attitude that led to an overvaluation of the *payback-period*. In other words, it was wrongly believed that the huge investments would be reimbursed in just a few years. It’s no surprise that the managing company, with its fragile financial internal structure, in order to deliver on commitments, would resort to systematically and largely borrowing money from the banks, which will ultimately recoup from each established function.



Art gallery – Picture taken from the book: “*Il Lingotto Storia e guida. Dalla fabbrica di automobili allo Scigno di Renzo Piano*”



“Bolla” (Bubble) - Picture taken from: [www.lemeridien-lingotto.it](http://www.lemeridien-lingotto.it)

Therefore, the feasibility study implemented for the restoration of the FIAT-Lingotto factory from being a helpful tool to analyse and give directions to select suitable options for the project changed into a rhetorical and unrealistic practice as tightly bonded as it is to the processing of “*theoretical data*” and given the little interest put into the unique nature of a case. The study became an unusable tool, unable to give directions and to manage right from the beginning, from the creation of the first function, the guiding light to follow in order to appraise the investment already in progress.

At this present moment, from the regulatory point of view, with the introduction of feasibility studies in the planning cycle, a remarkable step forward has been achieved in order to spread the idea of a culture of the evaluation. It is now time to improve the quality of the feasibility studies in the direction of a project profitability evaluation. As for the Lingotto case, the forecast has been disregarded, but, although more than twenty years have passed, the same problems are still detectable. These difficulties in the analysis process are definitely due to the fact that the instruments to analyze the financial and economic feasibility are truly unable to evaluate all components that can possibly affect the profitability of an investment. In addition, there is a sort of “national frame of mind” that makes it difficult to adhere to the forecast analysis outcome, often used to “*justify*” investments that have been pushed through majority votes by the public administrations, rather than effectively “*evaluate*” their actual usefulness and convenience.

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