

NB: The following information on tenders other than those related to the base tunnel construction works on the French side are merely insights or guidelines provided during the presentation of the project, and TELT disclaims responsibility for same.

Presentation to Associazione Nazionale Costruttori Edili – ANCE (Italian Association of private construction contractors)
Rome – 16 April 2019

1. In concrete terms, to what extent is the tender and construction programme reliable in relation to the political will?

By issuing procurement notices that include an initial application phase, we have already embarked on the process to assign construction works for a large portion of the base tunnel. After the summer, upon completion of the first phase of the tender process, we will report back to the two governments. The European Commission will equally undertake an assessment of the project, given its willingness to possibly increase the financing of same.

2. What legislation will govern the government contract that may be concluded with Sitaf?

Under the procurement notices issued by TELT and pursuant to international agreements, French public law is usually applied, although some additional provisions allow for waivers (e.g. those on formalities, environment, expropriation, etc.), in which cases domestic laws shall apply.

Article 4 of the 2015 Agreement authorises TELT to transfer the role of project owner to managers of the facilities affected, thereby passing on to the facility manager the responsibility for carrying out works that will affect the facility under their purview.

The share of the project managed by Sitaf therefore falls within the purview of Italian law.

With respect to the Chiomonte interchange ramp, an agreement has actually been reached with Sitaf as the design authority governed by Italian law, which incorporates specific anti-Mafia Contract Regulations applicable under the TELT project.

The same logic applies to the autoport, which is an interface for which Sitaf will issue a tender pursuant to the terms and conditions applicable under Italian law for such projects.

3. When will the tender be launched for the Maddalena refuge bays?

TELT has already started working on the tender process to award this contract: The procurement notice has been published and the process is underway.

4. To what extent can a government contract be outsourced?

French law does not set any costed limits when it comes to public procurement, as is the case in Italy. Be that as it may, the entire contract cannot be outsourced and the main contractor must at least hold back part of the contract.

Cascaded subcontracting is authorised: Indeed, the contract holder may have several subcontracts, but it must declare all the subcontractors to TELT, including in cases of cascaded subcontracting.

Where no prior authorisation has been granted, a higher-level contractor will not be paid directly by TELT and no lower-level subcontractor will be authorised to carry out any activities.

5. Does the use of purchase orders mean that the project concept has already been designed? What is the progress status so far?

The contract was awarded under a programme agreement with no minimum or maximum amount. The contractors agree to provide a price list during the bidding phase that will subsequently be used

to prepare purchase orders. This mechanism equally facilitates management of financing by way of construction lots, in line with Italian laws.

The initial purchase order will be as broad as possible to provide the contractors with a high level of certainty on potential performances once the contract is signed.

6. Will it be necessary to provide for changes in the project in the construction studies? Who will be responsible for this?

So far, from our experience with ongoing construction contracts, we can say that the design level finally reached is very good. It is therefore very unlikely that there will be any need for major changes during the construction phase. Whatever the case, it is the designer who will be responsible for any changes in case of need.

7. What about litigation?

Litigation may arise during two phases.

> The tender phase: The competent administrative court is that of Grenoble, since the general rule is that disputes should be managed by the French administrative judge.

> Construction phase: Litigation is governed by an international arbitration tribunal, whose composition and functioning are laid down in international agreements.

**Presentation to Fédération Nationale des Travaux Publics – FNTP (French
National Federation of Public Works)
Paris – 24 April 2019**

- 1. You have rightly spoken about excavation. Let us deal with this issue. We all know that in underground works, dealing with excavated material is very crucial. Will all the excavated material be reused on the Saint-Jean-de-Maurienne site, or will some of it be allocated to other projects? If yes, which ones?**

Our goal is to use approximately 60% of the excavated material for the project itself. They will be used for two purposes: Aggregate for concrete or backfill material on the Saint-Jean-de-Maurienne plain. Meanwhile, the remaining material will either be used for another project or disposed of permanently. In this respect, there are three permanent disposal sites nearby in the Maurienne Valley. On the Italian side, there are two disposal sites, one in the Val de Suse and another slightly further away. We are therefore expecting to minimise the material that will not be used.

We have equally carried out research over several years now with a view to optimising the fraction of concrete aggregate by exceeding the conventional specifications, especially in terms of sulphate content, given that there are sulphated materials that we would like to use to produce concrete aggregate by exceeding the normal standard practices.

- 2. You presented the timetable for the three lots on offer, but did not say a word about the Avrieux shafts lot 5A for which bids were submitted on 31 January 2019. Any update on the timetable for this contract? Is it part of the commitments made with the Italian government?**

Today, we dwelt on lots that ought to be launched and the tenders recently launched, but these are all tenders that are already ongoing and for which the process is nearing completion. As for lot 5A, we have completed the bidding phase. We are currently reviewing the bids submitted by different joint ventures. Today, the plan is to carry out the negotiation phase, so that the contract can be awarded before 2019 ending. According to our tentative timetable, the contracts should be signed before 2019 ending. There will be no discussions with the Italian government on those issues, since they are not on the agenda. We will see when the time comes after the European elections.

- 3. You surreptitiously presented seven tunnel borers on the entire tunnelling site. Can we have further clarification on how the seven tunnel borers are shared between the lots that are still to be awarded? Seems like we heard two *[inaudible]*. Can you repeat how the seven tunnel borers will be allocated for your subsequent contracts? Thanks.**

The seven machines will be digging from the west eastwards. The first is at Saint-Martin-la-Porte. The next are the two from La Praz to Modane, followed by the two from Modane to Chiomonte, and finally, the two from Chiomonte to Susa, namely at the end of the base tunnel. This is a breakdown of the seven machines.

- 4. Can we therefore say that there are three times two, plus one lot with a tunnel borer, which is the section where the study has already been completed.**

Yes, that's right.

- 5. I have a question on the four tunnels. The numbering can be confusing to understand, as far as I am concerned. There are some that are currently at the call for tender stage. I will use the nomenclature of the lots, hence 1, 2, 3. You had announced the one that is expected on the Italian side. How will you name it? Lot number what?**

Hold on. I am sorry for the confusion. This is important. The lot numbers simply refer to the ongoing process. There is a tender process involving three lots. Since the tender on the Italian side will probably be launched with the upgrading lot, it will be lot 1 or 2 of another process. The proper numbering for purposes of clarity will therefore be to think in operational terms, restarting from the west, namely: lot 8, lots 6-7 bundled into one contract, lot 5 and lots 3-4 in Italy bundled into one contract.

- 6. Can we therefore say that calls for tenders have been launched for the first four operational sites?**

Yes, that's right.

- 7. You have 18 to 20 months to go from the launching of the process in March, which should take us to 2020 ending overall. I will come back to the issue of availability of financing until 2020 ending. Then I would need some clarification, because these are major lots, especially two that will cost roughly a billion. For the operational lots on the Italian side, there will be three, if my memory serves me right, i.e. two tunnels and one upgrading, in a single tender that will cost a billion. You mentioned after the summer. Can you provide further clarification in this respect? Why after the summer and not now, for instance, that we are at it?**

Just a slight clarification: There will be only two lots since the interconnecting tunnel will not be included in the process to be launched very soon. It will cover only lot 3-4 on the Italian side and the upgrading lot. The interconnecting tunnel will be handled separately.

We have presented a timetable for launching tenders that is designed to ensure that the overall package of €1.1 billion is consumed as expected by 2021 ending. According to the timetable, three main lots will be launched on the French side before March ending. Meanwhile, the remainder, namely the tender on the Italian side, will be launched soon. We equally feel that there is need to space out the launching of tenders given that big contractors are concerned about the prospect of having to study several lots at the same time. Therefore a small interval of a few months between the calls for tenders on the French side and the equivalent tenders on the Italian side will allow us to achieve equal quality levels on both sides, and probably allow you to conduct a more effective tender process. That is why we are waiting a few months before launching the tender on the Italian side.

- 8. Thank you. Let me return to those lots that are currently in the call for tender stage on the French side. Are the tender documents ready?**

They are almost ready. Yes. For TELT tenders, at each phase of the process, especially at the end of the bidding phase, the contracts are sent to the Contracts Committee. We have a Contracts Committee composed of French and Italian members who are expected to give an opinion on the bids. It is only upon approval by the Contracts Committee that the tender documents can be sent to the selected bidders. The tender documents will be ready by the end of the year.

- 9. Okay. So for us, we will receive a workload plan, while the French lots have been scheduled for the year ending and the operational sites on the Italian side will probably be shifted forward by a few months.**

Yes for bidding. Only a few months will make the difference.

- 10. I have a question that is closely related to this with respect to financing. We are banking on a date of 2021 and you just mentioned the Italian mechanism, as well as mobilisation of financing that extended up to 2020. It is my understanding that overall, there is financing to complete the call for tenders on the major French lots, but for now, there is no certainty or fully secured financing mechanism in place for the contract award phase. Is that the case? And what about the Italian side?**

European financings are a restitution. Once the expense has been made, Europe is not an issue. Funds are fully available until 2021. On the Italian side, there is the law on construction lots. Although under the law on construction lots, Italy is committed to fully construct and complete the facility, there is a possibility of launching only lots that are already funded. Today, all the tunnels on the French and the Italian sides have been financed to the tune of 70%. Financing is available for all excavation works until 2023-2024. Once we are roughly two years away from needing the remainder of the financing, we will have to request Italy to provide same. Therefore we are ahead of schedule to complete the financing and 70% of funding for the tunnel lots has already been secured.

I would like to emphasise for it to be clear to all that financings are not territorialised. The French side is not financed by France, neither does Italy finance the Italian side. It is a single undertaking that finances all of its commitments, including its contracts. It collects funds from its funders, puts the money together, if I may put it that way, and then makes payments to the contract holders accordingly. This is the first aspect. As the project owner, TELT's role is to ensure that the funds collected are sufficient for it to conclude the related contracts. The signing of contracts is authorised by the Board of Directors where both countries have seats, as well as by Europe. Moreover, once the signing of a contract has been authorised, the Board of Directors that includes the three funders authorises the signing and discharges the related commitment.

The second challenge is that it is a French company. We therefore comply with the contract law. Contract law stems from European law and is the domestication of European directives that have become the French Public Procurement Code. Basically, this European law is applicable in both France and Italy with some adjustments in terms of interpretation or domestication. But the law and the regulations are European laws transferred into the Public Procurement Code and completed with the anti-Mafia regulations. This is the legal component. However, we need to combine the application of this law with Italy's specific regulations on construction lots. There is an adjustment and a combination to be made with the two countries in order to ensure that these twofold regulations are applied, namely French contract law and the regulations on construction lots.

The third factor is the role of the project owner company in financing its cash flow, thereby ensuring with its co-funders that the cash flow is sufficient to guarantee payments. The commitment itself ought to be proven at the time the Board of Directors votes to authorise the signing and the stakeholders present, including both countries, take responsibility for the financial commitment concerned. Through us, they thus have the responsibility to pay the contractors.

I would like to add that presently, we are not working on operational site No. 12, namely the technological railway equipment. You may have noted in passing that it is a single operational site on which we are not currently working, because we have broken down our timetable and until 2020, we

are busy awarding the civil engineering lots. But soon thereafter, we will have to focus on operational site No. 12 which remains a very open matter in terms of construction terms and conditions, types of partnerships and the possible need to source for funding. We are simply not talking about it because it is not on the agenda, but we have not forgotten that in the next two to three years, the matter will need to be addressed and all possible opportunities to implement same will be carefully scrutinized, including the prospect of financing that component.

11. In my opinion, this matter is related to the technological component. The railway track and infrastructure belong to the technological components. Otherwise, do you already have any dates, milestones, specific allotments, etc. for the railway infrastructure or railway systems component?

Operational site No. 12 actually encompasses all railway and non-railway equipment, including tracks, overhead lines (catenaries), ventilation fans, high voltage, low voltage... Whatever the case, we still need to look further into the matter, especially the contract terms and conditions, and we do not rule out a possible allotment.

12. Will lot 12 concern only France?

It will cover the entire cross-border section. As operators of the tunnel, we do not want to have different products or automated systems on both territories. We will therefore deal with the cross-border section as a whole.

13. Do the calls for tenders recently issued include any services on equipment?

No, only civil works. They all fall under lot No. 12, which therefore encompasses works worth between one and two billion.

14. Thanks for this short-term insight, which is quite a very new approach to the matter, considering the fact that you are giving dates that are just around the corner. One can feel that the project is already on track. Given that many contractors and industrial sectors will be engaged in this special project that will run over the next ten years, this insight is indeed invaluable. One can see that tons of contract engineering is involved. My keyword is agility. One can clearly see from the subsequent contract, i.e. the multiyear contract, that a lot of engineering is needed to provide for flexibility and responsiveness in your operational context, which is quite complex. I will rather consider it as a guarantee of reliability. This lends credence to your statements and I think we are all convinced, from what you said a while ago, Mr Chairman, that the project is fully on track.

Let me come back to the standpoint of industrial sectors with two questions. For the materials component, the famous 11, it was mentioned that the tender documents for the civil works will be available by the end of the year. Admittedly, bidding is due this year, but any idea on when the tender documents will be ready? My second question is more general. Major projects are great opportunities, leveraging on these insights over a longer term to come up with innovations. So far, are there any avenues for innovation in which our industries are expected to deliver?

Talking about innovation, our most concrete achievement has been our work on sulphated aggregate. Over the last ten years, we have funded numerous theses with the then Laboratoire central des Ponts (French Central Civil Engineering Laboratory), now IFSTTAR, in partnership with other companies as part of calls for expression of interest. For now, I have no other instance of innovation, although this

remains one of our goals, especially under the equipment and systems lot. I am thinking especially about fire safety, sprinkler/spray and detections systems, etc. where there is likely to be room for innovation to enhance safety in the tunnel.

For the two upgrading lots, namely 10 in Italy and 11 in France, lot 10 may be launched together with the base tunnel boring lot, as mentioned earlier. The situation is somewhat different in Italy, however. Lot 3-4 will virtually serve as a single interface with lot 10 since there is only one base tunnel boring lot, whereas in France, there are three boring lots and one upgrading lot. This is one of the reasons why there are timing considerations that you can easily imagine. The two lots may be launched together in Italy, whereas the 4th upgrading lot was not launched at the same time as the civil engineering lots in France. We can therefore only bank on the year ending for publication, meaning the tender documents should only be expected next year.

I would like to underscore the issue of innovation. When dealing with projects of this size that are so time-consuming, involve massive investments and rally vast resources, it is worth approaching them with an innovative mindset. Whatever the case, I can say that the company will keep a close eye on all of such proposals that may be made during the contracts. Although the environment may be somewhat challenging, the magnitude, clarity and duration of the projects are such that such matters may also be approached with an innovative mindset.

15. Just a quick question on the anti-Mafia requirements. Is the "white list" made public like in Italy? Any idea on the companies that have met the requirements?

No, the "white list" managed by the TELT is not public.

This was agreed with the binational anti-Mafia body that manages registrations on the "white list". I feel it is equally an attempt to better manage competition by not favouring the companies on the "white list", who may be given preference by some large corporations that may decide to contact such companies directly.

Generally, one can say that from the outset, TELT opted to protect itself from that risk. Our political authorities quickly understood and effectively spearheaded the establishment of an ad hoc mechanism that has been incorporated right at the level of international agreements, thereby making it a major legislative instrument. The issue is not that it was overlooked in Italy, considering that it was applied in Italy. Rather the challenge was having it established in France. This was incorporated at the highest level of legal standards, namely at the policy and regulatory level. Its implementation has been fully devolved to the prefects.

On this basis, one can easily conclude that the various departments have formalities that have been fine-tuned by the two prefects of Lyon and Turin, and all steps are being taken to do things properly. However, TELT cannot intervene directly in the conduct and operationalisation of these oversight activities. Since it is a complex task, should there be any implementation challenges, I think one should not hesitate to turn to TELT employees for clarifications and explanations, so that things can go on as smoothly as possible.

Presentation to World Tunnel Congress (WTC)
Naples – 8 May 2019

- 1. I would like to know how you handle potential conflicts of interest with the engineering firms currently working on some of the operational sites and others as contractors.**

Thank you for this question.

Admittedly, there is a risk of conflict of interest among engineering firms. However, we have decided that contractors working on any of the engineering lots cannot be involved in the same lot as public contractors. They can only take part in other lots. That is the rule. Therefore, you cannot be involved in the same lot when you are already a contractor.

All engineering firms working with us are equally requested to sign a confidentiality and non-disclosure agreement. We feel it is also in line with professional ethics for an engineering firm to refrain from utilising any confidential information it may have on a lot and that could be used for other lots.

However, we do rule the possibility for the contractors to work on other lots.

I would like to also seize the opportunity to add a point I had omitted. We had decided that the three lots cannot be awarded to the same contractor. Only the small lot, i.e. lot No. 3 can be awarded to the winner of lot 1 or lot 2, although lots 1 and 2 are incompatible.

- 2. I am very interested in the engineering tenders being issued. We are wondering if you could provide further clarifications in this respect, including the limitation once more of the engineering component for the design component and the construction component?**

The engineering of lots includes the design component and the construction management component only. The remaining project management contracts have been divided as follows: construction management in Italy and materials reclamation management, while the construction management contracts for the three French lots have already been awarded. Engineering firms can therefore bid for these tenders and become our partners, so to speak, or our assistants as project managers. Furthermore, engineering firms can definitely work alongside other firms in developing construction studies that would otherwise be conducted by construction firms.

- 3. I would like to know if you have a database of project contractors? My company manufactures dust extraction systems. If you have such a database, it will help me to know the project contractors working in the tunnel who may need to extract dust. This will be of great help to small firms like ours.**

Definitely. Tenders are made public once they have been awarded. All information is published on our buyer profile (TELT website dedicated page) and the Official Journal of the European Union. So as we speak, the information is public and you can find all kinds of information. Before then, it is impossible to know who is bidding for a tender.

- 4. I would like to know if in the near future, be it for technical specifications or daily contractual regulations, you are looking to adopt any of the concepts in the FIDIC Emerald Book.**

I think the way are contracts are drafted is very similar to the Emerald Book contracts. Perhaps we are slightly ahead of the Emerald Book as it was presented yesterday, especially with regard to risk management and risk sharing between the contractor and the client. Although I feel the two

philosophies are quite similar, we do not make reference officially to FIDIC contracts. We are required to apply French public procurement laws and I do not think it is legally possible for us to make any reference officially to the Emerald Book.

5. Am I in order to think that recycling materials is in line with French regulations?

Definitely. French regulations apply for contracts, tenders and contract implementation. However, domestic laws apply for environmental and safety matters. This therefore implies that to recycle materials, we must apply French regulations in France and Italian regulations in Italy. We equally have an intergovernmental committee, which is responsible for coordinating activities between both countries and one of the issues to determine how to use excavated material in France to produce concrete in Italy. It is a matter of transnational legislation that is being addressed much quicker than I had personally expected, since it is quite complex.

In the absence of any other concerns, I would like to wrap up this session by thanking you all and adding that we have already held a meeting in Rome that was convened by ANCE and a similar meeting in Paris convened by the French National Federation of Public Works, prior to the meeting we have just concluded. Each of these meetings have raised a series of very crucial issues for us and helped to highlight a number of challenges we will have to deal with. Today, like on other occasions, we have had to provide clear and accurate answers to all questions in order to bring all stakeholders to the same level of understanding and knowledge. All questions and answers are posted on our website, so that we can all have access to all the information we have been able to compile following our discussions.