

Alexandria University Hospitals PPP Project
Investor Conference: June 18, 2008
Q&A Session

1. Q – Length of PPP Contract: What is the length of the PPP Contract?

A: Currently, the government proposes a contract length of no less than 20 years. Based upon investor feedback and the financial model, the Government is willing to reconsider the contract period

2. Q – Timeline (Design): The timescale for the design of the Hospitals appears to be only 10 weeks in the current timeline, which is significantly less than international standards.

A: The Service Provider will be expected to provide solely a conceptual design in the bid proposal. The final design will be a condition precedent to closing, for which six months have been foreseen.

3. Q – Functional programming and Patient Demand Assumptions: Will projections for functional programming and patient demand volumes made by the Ministry of Finance be public access? We deem this necessary.

A: Alexandria University contracted a hospital planning consultant (Solve Consulting, Austria) and an engineering consultant (Abou Gad Architects, Egypt) to undertake a due diligence of the Project feasibility and help define some basic transaction structuring elements. This information will be part of the data room solely for indicative purposes. Bidders will be expected to undertake their own due diligence of the Project.

4. Q – Outline Budgets: Is it possible to have an indication on outline budgets? This is normal practice in the UK to ensure that all bidders base their assumptions on the correct hypotheses.

A: For the time being, this has not been envisaged. A Public Sector Comparator will be used as a reserve price during bid evaluation.

5. Q – Ministry of Finance Payment Guarantee: Will there be a Ministry of Finance guarantee for the payment of the Availability Payment to the Service Provider?

A: The Ministry of Finance will be a co-signatory of the Direct Agreement with lenders and the SPV. The Ministry of Finance will pay on behalf of Alexandria University any undisputed amounts in case the AU fails to pay in due time

6. Q – Patient Demand Risk: If the Mowassat patient volume will be mostly public patients will AU subsidize the Service Provider operations to ensure the Project is financially viable?

A: No. Being a PFI project, the Service Provider's role is to design, build, equip, maintain and operate all non-clinical aspects of the Hospitals. The Service Provider payment stream is based on the Availability Payment that the Preferred Bidder proposed as part of its financial bid. The Availability Payment will therefore be paid to the Service Provider irrespective of the patient volumes, Alexandria University, is responsible for the clinical services component and bears the demand risk.

7. **Q – Balanced Contract:** Given the international nature of the consortia, will you waive the requirement for sovereign guarantee?

A: The AU intends to draft a balanced contract in which there will be no exceptional clauses for being a governmental counterparty. Alexandria University may have termination rights, however the Service Provider will be fully compensated for this type of termination (provided there is no Service Provider default).

8. **Q – Foreign Risk Mitigation:** Will there be any foreign currency risk mitigation for investors?

A: The government has not reached a decision on this matter and in case of coverage in exchange rate exposure bidders will price.

9. **Q – Timing for legal incorporation of SPV:** Does the SPV need to be formed prior to prequalification or bidding?

A: As the PPP Law has not yet been approved by Cabinet, the Project tendering will be governed by the 1989 Tender Law. As the Tender Law gives preference to Egyptian firms, the SPV will need to be created and legally incorporated as an Egyptian entity prior bidding to ensure equal and fair treatment of all consortia.

10. **Q – SPV composition:** What happens to the Project if one of the members of the consortium goes bankrupt?

A: The PPP Contract is signed with the SPV and not individual consortia members. The SPV composition will be allowed to change with prior consent of Alexandria University and the Ministry of Finance.

11. **Q – Upfront Payment vs. Availability Payment:** Could it be envisaged that the Service Provider receive upfront payments?

A: No; the Project is based on the PFI model and not traditional procurement. The Service Provider will receive a regular payment stream - the Availability Payment – throughout the course of the Project term. The Availability Payment will be first paid, when the facilities are complete and “available” for use. The amount of the Availability Payment will be the financial component of the bidders’ bids. Bidders should set the Availability Payment such that all estimated capital, operating and maintenance expenditures over the life of the Project are covered.

12. **Q – Legal framework:** It would be preferable that the Project is not governed by Tender Law 89.

A: Tender law 89 only governs procedures of bidding, till signing with the successful bidder and does not have any bearing on the contract execution. A PPP Law has been drafted which will govern all PPP projects and supersede sector laws for projects. It is expected that the Law will be discussed at the next Parliament session.

13. **Q – Drafting of PPP Contract:** What role will bidders have in the drafting of the contract?

A: The contract will be drafted in consultation with all qualified bidders. A first draft will be provided qualified bidders in the data room. Bidders will be given time to provide comments. These comments will be shared between all parties. Open discussions will be undertaken with the objective of reaching consensus on all clauses prior to issuing the final contract documents.

14. Q – International Standards for Hospital design: Indication has been made that it is expected that the Hospitals be designed to international standards. There are, however, variances in the concept of international standards, with consequent price differences. Though flexibility is welcome, if the specifications of Alexandria University are not clearly defined this may result in significant differences in bid submissions.

A: Design requirements are based on output and function specs. which will be specific enough to avoid large discrepancies in bid submissions, but to allow some flexibility to bidders. Alexandria University was assisted by Solve Consulting (Austria) in providing indicative functional dimensioning for the Hospitals. These figures will be shared with bidders in the data room. Bidders have to undertake a due diligence and provide comments which will be taken into consideration while drafting while drafting the final specs. Final specs. Shall be the minimum requirements accepted from bidders.

15. Q – Mowassat CoE accreditation: Will the Centers of Excellence of the New Mowassat be accredited?

A: Alexandria University will apply for accreditation.

16. Q – Medical Equipment Technology Risk: How will the Service Provider be protected from changes in technology and technological obsolescence through the course of the 20 year agreement?

A: The Service Provider will be responsible for providing equipment to the Hospitals and Blood Bank. The Service Provider will bear the risk of ‘predictable’ evolution in technology. However, should there be a paradigm shift in technology there will be a ‘change order’ provision in the contract which will allow for negotiation on the replacement of output specification of equipment.

17. Q – Medical Equipment Country of Origin: What country should medical equipment be sourced from?

A: The PPP Contract will be based on output specifications. Therefore, details on the procurement of medical equipment will be the left to the discretion of the Service Provider. As the installation, training, commissioning, maintenance and replacement of medical equipment will be the responsibility of the Service Provider, the Service Provider will be expected to undertake a life-cycle approach to medical equipment provision.

18. Q – Medical Equipment: Will any of the equipment from the existing facilities be transferred to the new facilities?

A: No. All equipment will be newly provided by the Service Provider.

19. Q – Management: Who will have the final say in the day-to-day management of the hospital, the Service Provider or Alexandria University?

A: Alexandria University would be responsible for the management of the Hospitals. Should the diagnostics services clinical component be included in the Project, the Service Provider would be fully responsible for the management of the diagnostic services, subject to certain performance standards defined by the PPP Contract.

20. Q – Dispute Resolution: What would happen in the event of a dispute over Service Provider performance standards?

A: In case of disputes between the parties, the parties will settle any disputes as soon as possible by way of negotiations. Should negotiations fail, any party may refer the dispute to a “Performance Monitoring Committee” (PMC) comprised of three members: one chosen by Service Provider, another by Granting Authorities and a third selected by common agreement. In case the parties disagree with the recommendations of the Performance Monitoring Committee they may escalate the matter to a "Partnership Committee" comprised of high administrative positions of both parties, which may be then raised to Chairmen Committee to reach final resolution. Failing to reach an agreement, any party may submit the matter to arbitration under the United Nations Commission on International Trade Law (UNCITRAL)

21. Q - Existing Mowassat: What role will the Service Provider have with regards to the existing Mowassat Hospital?

A: The New Mowassat Hospital will be a new hospital located on a site adjacent to the existing Mowassat. The existing Mowassat is not to be considered as part of the project.

22. Q – Diagnostics Services clinical services inclusion (Mowassat): A clear demarcation between clinical and non-clinical services is imperative to the successful operation of a hospital; can you please clarify the role of each party should the clinical component of the diagnostics center in Mowassat be included in the Project?

A: Clinical services are completely conducted by the AU, and they assume full responsibility on it. However, The AU has envisaged to possibly including some diagnostic services in the Project for the New Mowassat Hospital.

Should this scenario be adopted, the Service Provider would be guaranteed minimum number of public patients by AU, i.e. patient demand risk would be the responsibility of the public sector. In addition, the Service Provider would be allowed to provide private patient services and thus generate additional revenue over and above the contracted Availability Payment.

The diagnostic services clinical component would be part of the PPP contract. The details of the roles and responsibilities of each party would be clearly defined in an annex of the PPP contract.

The Service Provider would have the discretion of outsourcing these responsibilities to a subcontractor, though the responsibility of ensuring that all performance and service levels defined by the PPP Contract are met would remain with the Service Provider.

23. Q – Private Patients: It has been indicated that it is possible that patient volumes for Mowassat may be 80% public patients and 20% private patients. Should the project solely be a PFI, what would the role of the Service Provider be?

A: The Service Provider's responsibility is to provide Alexandria University with high quality facilities irrespective of the patient profile. The role of the Service Provider would remain the same.

24. Q – Full PPP (Mowassat): Are the Ministry of Finance and Alexandria University willing to envisage including private management of the Mowassat Hospital to move towards a more integrated model of service delivery.

A: The current policy of the Government not to pursue private management of clinical services in University Hospitals at this time.