

**NORTHERN HEALTH AUTHORITY
FORT ST. JOHN HOSPITAL PROJECT**

**FIRST REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT
PROCESS: RFQ STAGE**

July 23, 2008

To: Steering Committee, Fort St. John Hospital Project

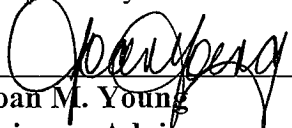
Chair: Barry Cheal

Members: Al Martin, Cathy Ulrich (ex-officio), Larry Tokarchuk (ex-officio),
Larry Blain, Kevin Brewster, Mike Hoefer, Fred Banham, Dr.
Becky Temple,

This report covers the following issues:

1. The scope of the review;
2. The purpose of the review;
3. The framework for the review;
4. A statement that the review has been conducted in accordance with this framework;
5. Explanatory details regarding the variables which affect the review;
6. Project Background and Monitoring Activities by Fairness Advisor;
7. Recommendations to improve process for future procurements;
8. Any qualifications on the endorsement of the process; and
9. A statement that the Fairness Advisor has fulfilled the terms of her engagement in order to express an opinion;
10. Findings in the form of an opinion whether the process appears to have been undertaken in accordance with fairness principles expressed or implied in the procurement documents.

Respectfully submitted:



Joan M. Young
Fairness Advisor

Heenan Blaikie

FORT ST. JOHN HOSPITAL PROJECT REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT PROCESS

July 23, 2008

Page 2

SCOPE OF REVIEW

I was retained in April 2008 to act as the Fairness Advisor for the Fort St. John Hospital Project. My role is to satisfy myself on the overall procedural fairness of the procurement process associated with the Fort St. John Hospital Project.

The Northern Health Authority (“NHA”), in conjunction with its advisors, Partnerships BC, issued a Request for Qualifications (“RFQ”) for the Fort St. John Hospital Project in May 2008. This stage was intended to set out information regarding the project to the private sector and to invite those parties both interested and qualified to participate in the procurement process. The intention of NHA was to select up to three qualified Respondents to be invited to participate in the next stage of the procurement.

My engagement covers the evaluation of the responses to the procurement process from the issuance of the RFQ to conclusion of the procurement. This Interim Report covers the RFQ stage of the procurement.

The terms of engagement state that as Fairness Advisor I was asked to do the following:

1 Role of Fairness Advisor

The Fairness Advisor provides assurance to Partnerships BC and the Northern Health Authority through all stages of the Project Competitive Selection Process that the procurement processes described in the Project Request for Qualifications and Project Request for Proposals are applied fairly according to the terms described therein. And further, by way of reports that are ultimately made public, the Fairness Advisor provides an independent opinion and assurance to the public of this fair application.

2 Scope of Services of Fairness Advisor

The role of the Fairness Advisor will include:

Scope

- The Fairness Advisor will report to the Chair of a Steering Committee composed of senior officials within Northern Health Authority and Partnerships BC, overseeing the Project.

Heenan Blaikie

FORT ST. JOHN HOSPITAL PROJECT REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT PROCESS

July 23, 2008

Page 3

- The Fairness Advisor will act as an independent observer with respect to the fairness of the implementation of the Project's procurement processes.
- The Fairness Advisor appointment will commence immediately and will continue until the completion of the Project Competitive Selection Process at the end of the Project Request for Proposals evaluation stage. At the discretion of the Chair of the Steering Committee, the Fairness Advisor appointment may be extended to the completion of the Financial Close stage.

Reports

- The Fairness Advisor will prepare and deliver two written reports to the Steering Committee, as follows:
 - (i) a first report at the completion of the selection of the short-listed Respondents under the Project Request for Qualifications, a copy of which will be provided to the Project Director; and
 - (ii) a second report at the completion of the selection of the final Proponent under the Project Request for Proposals process, a copy of which will be provided to the Project Director. If, at the discretion of the Chair of the Steering Committee, the Fairness Advisor appointment is extended to the completion of the Financial Close stage, the second report will be due at the completion of the Financial Close stage.
- The Fairness Advisor's reports will be available to the public after selection of the final Proponent under the Project Request for Proposals Process (first report), and final execution of the project agreement (second report), subject to the applicable legislative requirements (including the *Freedom of Information and Protection of Privacy Act* and regulations). The first report will be made available to Respondents prior to the issuance of the Project Request for Proposals.

Access to Information

The Fairness Advisor will be:

- (a) provided full access to all of the health authority's information related to the Project Competitive Selection Processes as the Fairness Advisor decides is required, including documentation, personnel, premises, meetings, reports and minutes;

**FORT ST. JOHN HOSPITAL PROJECT
REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT
PROCESS**

July 23, 2008

Page 4

(b) permitted full access to any and all meetings, telephone conferences or other events as, in the discretion of the Fairness Advisor, are appropriate; and

(c) kept fully informed by the Project Director of all documents and activities associated with the Project request for qualification and request for qualification process.

The contact person with the Project team, when and as needed, will be the Partnerships BC Project Director.

Enquiries

- The Project Team, through the Project Director, may invite the Fairness Advisor to provide comment from time to time on issues related to the evaluation processes during the Project Competitive Selection Processes. The Fairness Advisor will not provide any comment or advice on any matter other than fairness.
- During the Project Competitive Selection Processes, the Steering Committee may request comment on proposed action or circumstance related to the administration of the Project Request for Qualifications and the Project Request for Proposals.

None of the above duties of the Fairness Advisor shall be delegated to any other person without the written approval of the Project Director.

My role as the Fairness Advisor is not to validate the Evaluation Committee's recommendation of the selected proponent; but rather is to provide oversight and assurances regarding the processes applied in making the recommendation.

PURPOSE OF REVIEW

The purpose of my review is to provide arm's length advice to the Steering Committee and independent assurance for the Project as to the fairness and appropriateness of project management activities related to the procurement process to the Fort St. John Hospital transaction.

Heenan Blaikie

**FORT ST. JOHN HOSPITAL PROJECT
REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT
PROCESS**

July 23, 2008

Page 5

FRAMEWORK FOR REVIEW

At each stage of the procurement process covered by my engagement, I undertook the following review activities in order to meet the terms of my review:

- (a) Review standards for handling of documents, security of documents, procedures for clarifying or rectifying errors by the owner and/or proponents,
- (b) Conduct a review of all documentation issued by Partnerships BC and/or the Northern Health Authority to proponents including all procurement documents and addenda;
- (c) Ascertain whether each proponent was provided with access to the same information as other proponents for the purposes of responding to the various procurement stages;
- (d) Ascertain whether Evaluation Criteria was established in advance of evaluations being undertaken;
- (e) Ensure that adequate measures for avoidance of conflict of interest, unfair advantage and confidentiality were established and adhered to in the procurement process as well as procedures for resolving issues which may arise during the procurement process;
- (f) Obtain information regarding rulings made by the Conflict of Interest Adjudicator to ascertain whether the recommended course(s) of action have been fully implemented;
- (g) Review the Evaluation criteria proposed for the various stages of the procurement to determine that they were reasonably and rationally connected to the stated Project objectives;
- (h) Review all responses submitted by proponents to ensure an adequate familiarity with the terms of the responses in order to undertake the Fairness Review;

Heenan Blaikie

**FORT ST. JOHN HOSPITAL PROJECT
REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT
PROCESS**

July 23, 2008

Page 6

- (i) Ensure that appropriate records regarding verbal and written contact with proponents were prepared and retained;

REVIEW CONDUCTED IN ACCORDANCE WITH THIS FRAMEWORK

My review was conducted within the framework for review set out above.

EXPLANATORY DETAILS

None.

**PROJECT BACKGROUND AND MONITORING ACTIVITIES OF
FAIRNESS ADVISOR**

There are six provincial health authorities in British Columbia (B.C.), which are the main organizations responsible for local health service delivery in the province. NH is one of the five regional health authorities responsible for delivering a full continuum of health services to meet the needs of the population within its respective region. NH serves more than 310,000 residents (of which 13 per cent are of aboriginal descent), employs, or contracts approximately 7,000 health care professionals and operates three core facilities including the Prince George, Dawson Creek and Fort St. John hospitals. The Fort St. John Hospital is located in the Northeast Health Service Delivery Area and is specifically responsible for the Northeast Health Service Delivery Area. The hospital offers health care services to the northeast region, including all medical and general surgical services, emergency care, ambulatory services, and visiting specialist programs, and also acts as a referral centre for the Peace Liard region. The Peace Liard region is the North Peace area comprising Fort St John, Fort Nelson and Hudson Hope. The South Peace area consists of Tumbler Ridge, Dawson Creek and Chetwynd. Other programs are referred to the Dawson Creek Hospital. These programs include mental health acute beds, orthopaedic surgery and Mat/Child surgical.

A large proportion of the population in the Northeast Health Service Delivery Area is currently 75 years of age or older. NH has the highest projected growth rate of seniors (with a 48 per cent projected growth rate by 2010) making the impact on acute care and need for residential care a concern for the future. The current need for development of new hospital, services and residential care facilities will ensure that

Heenan Blaikie

FORT ST. JOHN HOSPITAL PROJECT

REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT PROCESS

July 23, 2008

Page 7

NH is well-positioned to meet the future population growth and demand in acute care and required health care services.

The purpose of the Project is to design, build, finance and maintain the new 55-bed Fort St. John Hospital, including a 123-bed residential care centre and a services facility at the proposed site located in Fort St. John, British Columbia. The Project Agreement will require the successful Proponent to provide building maintenance and repair services, general janitorial services as well as lifecycle maintenance services for the new Facility for a concession period of 30-years commencing from the anticipated date of occupation. It is anticipated that the successful Proponent will finance approximately 60 per cent of the capital cost of the new Facility (excluding medical equipment).

The purpose of the NHA's Request for Qualifications was to invite submissions from interested parties to participate in the DBFM (design, build, finance, and maintain) procurement model for the Fort St. John Hospital in the Northern Health region.

A. Appointment of Fairness Advisor

The role of Fairness Advisor is to provide oversight on the procurement process to ensure that the process for selecting a preferred proponent is open, fair and equitable. A Fairness Advisor also provides advice on issues which may arise during the procurement process which could impact on the overall fairness of the process.

A Fairness Review follows four phases of the procurement process:

1. Before closing of the procurement process;
2. After closing of the procurement process;
3. Procurement Evaluation Stage; and
4. Post Procurement Evaluation.

As stated above, the role of the Fairness Advisor is not to validate the Evaluation Committee's recommendation to the Steering Committee of the selected proponent; rather, it is to provide oversight and assurances regarding the processes applied in making the recommendation.

FORT ST. JOHN HOSPITAL PROJECT REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT PROCESS

July 23, 2008

Page 8

B. Procurement Process for Fort St. John Hospital Project

This phase of the procurement process involved a Request for Qualifications. The intention of the NHA was to short-list up to three qualified proponents who would be invited to prepare proposals in response to a Request for Proposals.

C. Request for Qualifications

The Request for Qualifications (“RFQ”) was issued on May 6, 2008 with a closing date of June 17, 2008 (later amended to July 8, 2008) requesting interested parties to submit their qualifications for the project. A respondents’ meeting was held in Fort St. John on May 22, 2008. The current hospital site was toured, as well as the location for the new hospital.

The RFQ was revised in minor ways after it was issued on May 6, 2008. These amendments were permitted by the terms of the RFQ. One amendment was made to move the closing date ahead by three weeks and the other was for an increase in the honorarium. Both amendments did not raise any fairness issues.

The Fairness Advisor was present at the closing location for the submission of the RFQ. All of the submissions were received in order at the submission location on or before the deadline. No submissions were rejected. Two teams submitted responses addressing (1) design and construction, (2) financial and commercial, and (3) facilities management. Each of the two submissions was subjected to a completeness review, and no deficiencies were noted. None of the proposals had issues which required additional information for clarification.

A number of internal staff and private sector advisors were assembled for the purpose of evaluating the submissions. Four sub-committees were formed: a Completeness Review Team, Design and Construction Team, a Project and Financial Team and a Facilities Management Team. Each of these teams reported to an Evaluation Committee which had the responsibility to evaluate and score the various proposals based on the comments of the four sub-committee teams and provide recommendations to the Steering Committee. Each team member was required to execute a Relationship Disclosure declaration and Confidentiality Agreement in advance of access to any information or proposals received in response to the RFQ.

Security measures were established to ensure that no information from the various proposals was available to anyone who had not been cleared for access. A

FORT ST. JOHN HOSPITAL PROJECT REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT PROCESS

July 23, 2008

Page 9

representative of Partnerships BC was responsible for ensuring that when documents were removed from their secure location for the purposes of evaluation meetings that they were safeguarded.

Evaluators were also advised of the appointment of the Fairness Advisor and of the Conflict of Interest Adjudicator for the project. An internal review process was established for identifying potential conflict or similar issues upon submission of the required documents from the various team members. There were no conflicts identified which prevented any team member from participating in the evaluation or review of the RFQ proposals.

An Evaluation Manual for the RFQ Stage was developed based on the evaluation criteria set out in the RFQ and was finalized before the closing date for submissions. The evaluation was based on criteria set out in the RFQ. There was no "Pass/Fail" benchmark. I was provided with a draft of the Evaluation Manual in advance of the evaluation meetings. Each of the teams was also provided with an opportunity to review the draft manual, to provide comments and to make changes. Eventually all evaluators were provided with a final form of manual before the evaluation began and this manual formed the basis of the scoring done by the Evaluation Committee.

I attended the first Evaluation Committee meeting in person on July 11, 2008 as an observer. Each of the Evaluation Team members discussed the relative strengths and weaknesses of each individual proposal. The Evaluation Committee did not require meetings with the two proponent teams. The Legal Advisor to the project was not involved in the evaluation of the proposals. Scoring was done and a report was prepared. The report prepared for the Steering Committee reflects the decisions of the Evaluation Committee.

I am satisfied that each of the two Respondent teams was provided with a fair opportunity to have their proposal considered by the Evaluation Committee in accordance with the terms of the RFQ. The evaluation criteria were applied consistently and in accordance with the pre-determined evaluation criteria in the Evaluation Manual.

The Evaluation Committee did not require any specific advice of the Fairness Advisor during this phase of the procurement. General advice was provided on the procurement process.

Heenan Blaikie

**FORT ST. JOHN HOSPITAL PROJECT
REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT
PROCESS**

July 23, 2008

Page 10

**RECOMMENDATIONS TO IMPROVE THE PROCESS FOR FUTURE
PROCUREMENTS**

There are no issues of note requiring any commentary by the Fairness Advisor.

ANY QUALIFICATIONS ON THE ENDORSEMENT OF THE PROCESS

My fairness audit review has been based on my own review of selected documentation and records; my discussions with the Evaluation Committee; my observations of the activities of the Evaluation Committee; answers to questions posed by me and my observations of meetings. I have reviewed a sampling of project related documentation, but not all documents created by each and every staff member or advisor.

My review findings are based on the assumption that I have been provided access to all relevant information in connection with the project and that I have been advised of all key project management meetings and decisions.

FINDINGS

The RFQ procurement process associated with this stage of the Fort St. John Hospital Project has been conducted in a fair manner in accordance with the procedures established in the Request for Qualifications stage.

I am satisfied that:

1. NHA, PBC and their advisors followed the procedures and fairly applied the evaluation criteria specified in the procurement documents and subsequent documents;
2. Where judgment and interpretation was allowed or required, the project team exercised reasonable judgment and made interpretations in a fair and impartial manner; and
3. To the extent that amendments to the process were permissible, that decisions with respect to amendments were made in a fair and impartial manner;

I am satisfied that I have been provided with the appropriate access and information to render this fairness opinion to the Steering Committee.

Heenan Blaikie

**FORT ST. JOHN HOSPITAL PROJECT
REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT
PROCESS**

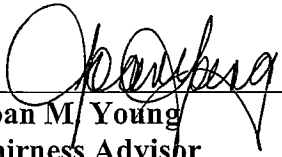
July 23, 2008

Page 11

FULFILLMENT OF AUDIT TERMS

I confirm that I have fulfilled the terms of my engagement based on the activities described to you above.

Respectfully submitted,



Joan M. Young
Fairness Advisor

Dated at Victoria, BC this 23rd day of July, 2008

Heenan Blaikie LLP
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