

1 March 2005

Dear Valued Vendor

ANNOUNCEMENT OF CHANGES IN PROCUREMENT PRACTICES FOR SINGHEALTH GROUP OF HOSPITALS AND INSTITUTIONS WITH EFFECT FROM 1ST APRIL 2005

Introduction

Singapore Health Services Pte Ltd (SingHealth) has reviewed its practices of purchasing drugs, medical supplies and services throughout the cluster under the strategic sourcing process. An important aim is to harmonise our practices so as to facilitate our interactions with you during the procurement process. Together, we can work together to ensure that quality healthcare continues to be affordable to the public in Singapore.

2. We intend to carry out our procurement activities in a manner that actively engage our suppliers and foster competition in the various products and services categories. Procurement will be guided by the following principles: Competition, Value for Money, Professionalism and Good Faith.

Key Changes To Open Tender Process

3. There are three (3) main changes to the Open Tender process:

- (1) After Tender closing, only the names of the participating tenderers will be published. This is in contrast to the practice of publishing both names and offer prices
- (2) Results of a tender will only include the name of the winning tenderer. Summary of prices submitted by the various tenderers will not be published. SingHealth regards information on prices as strategic.
- (3) Tender fees (where applicable) will be harmonised across the hospitals / institutions as follows:
 - General tenders (supplies, equipment and services) \$30
 - Development projects \$50

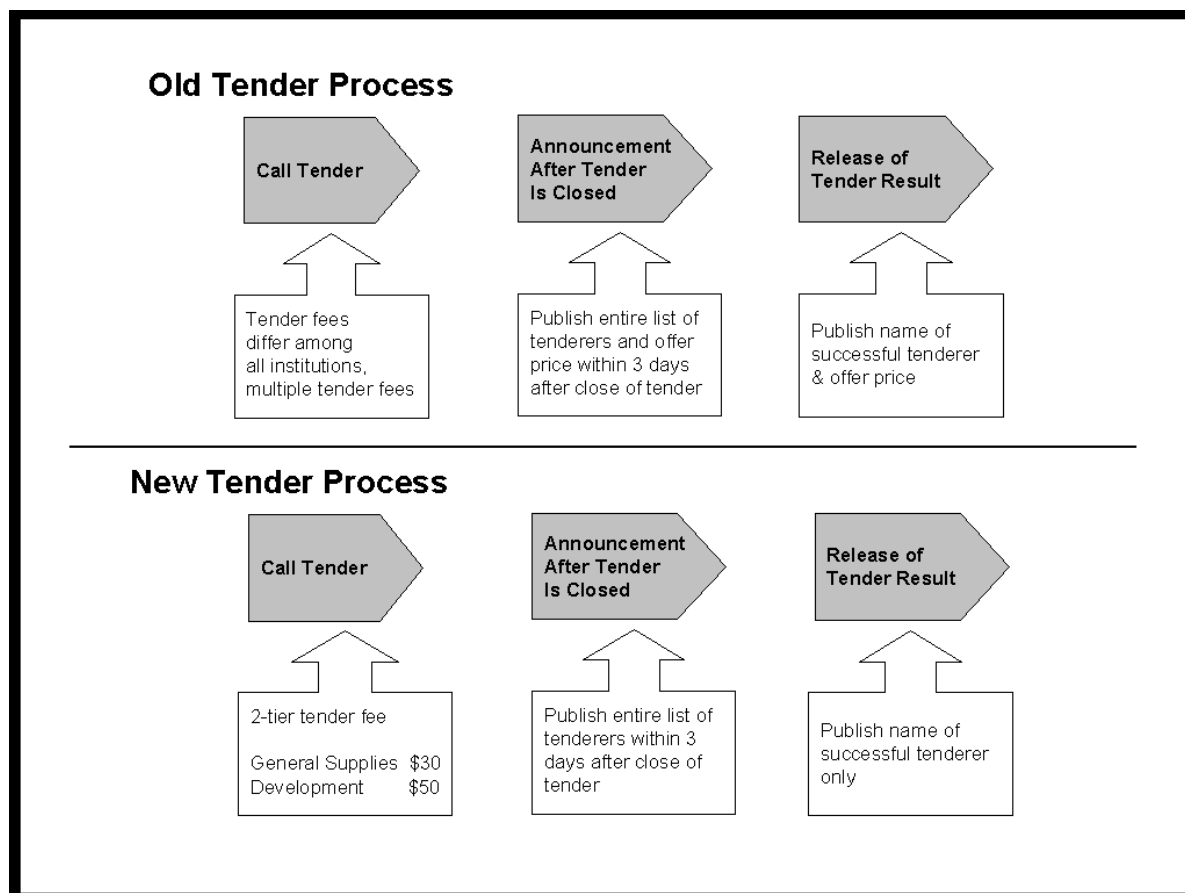
4. The tender fee for development projects does not include drawings, which may be charged separately. Tender fees are inclusive of GST and are non-refundable. The changes may be summarised schematically in the following chart.

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Notable Changes to Open Tender process:



New Procurement Tools

5. Vendors are advised that there are other procurement methods besides the Tender and Invitation to Quote process. SingHealth may also engage vendors by way of Request for Proposals (RFP) and Reverse Auctions.

Request for Proposal (RFP)

6. The RFP distinguishes itself from a Tender in that it allows for greater freedom for SingHealth to negotiate and consider potential product bundling opportunities.

7. SingHealth has the discretion to negotiate on the terms of any Proposal (whether to the exclusion of, or in conjunction with, any other Proposals) with one or more vendors. SingHealth may enter into any contract with one or more of the vendors following the review and/or negotiation (if any) of any Proposal submitted pursuant to this RFP.

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Reverse Auction

8. SingHealth may call a Reverse Auction where multiple vendors are invited to bid. A reverse auction is typically conducted via the Internet whereby bidders anonymously bid against each other for a lot (an item or a group of items) for which SingHealth requires. Bidding takes place at a specified date and time and continues for a period of time until no more bids are received. Detailed participation requirements will be communicated to all vendors prior to a reverse auction.

9. Managing total cost of ownership for medical supplies and services rests on a good partnership between SingHealth and vendors. SingHealth values the good standing relationships it currently has with vendors and will continue to engage the industry players as we work together to achieve medical excellence and keep healthcare affordable.

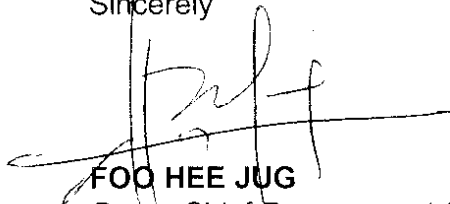
10. Attached is a list of Frequently Asked Questions that should address most concerns. Should there be further enquiries, please contact:

For Pharmaceutical Supplies : Ms. Choong Wei Sim (63266368)
Mailing Address : Block 8, Level 2
Singapore General Hospital
Outram Road
Singapore 169608

For Non-Pharmaceutical Supplies : Mr. Lok Mun Leng (63275827)
Mailing Address : 7, Hospital Drive, #02-09
Block B (former School of Nursing)
Singapore 169611

Thank you and best regards.

Sincerely



FOO HEE JUG

Group Chief Procurement Officer

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FREQUENTLY ASKED QUESTIONS

Singapore Health Services Pte Ltd (“SingHealth”) has reviewed its practices of purchasing material and services throughout the cluster under the strategic sourcing initiative. The resultant changes will have a profound influence on our long-term approach to cost containment (on a total cost of ownership basis) and our management of vendor relationships.

What is the objective of this strategic sourcing process at SingHealth?

SingHealth’s goal is to provide quality healthcare to its patients at the most affordable costs. To that end, it is seeking to reduce its total purchasing costs through this strategic sourcing initiative, without compromising the quality or standards of its healthcare services.

It is intended that SingHealth will purchase most of its supplies, products and services through this strategic sourcing process. Vendors are therefore urged to view this process seriously if it wants to be a strategic partner of SingHealth.

Under this strategic sourcing process, who will be the “purchaser”: SingHealth (whether as a group or as Singapore Health Services Pte Ltd), or individual hospitals?

It is intended generally that the process will generally be executed through SingHealth – SingHealth will despatch the relevant Requests for Proposals to vendors, review replies therefrom, conduct negotiations and select “strategic vendors” on behalf of all Group entities. However, if and when any vendor is selected under this strategic sourcing process, the relevant individual hospitals will contract with the (common) chosen vendor directly, and take direct deliveries under these contracts. However, all contractual agreements between vendor and individual hospitals shall be based on SingHealth Master Agreement.

How does this change in procurement practice fit in with the formal tender process in place at various SingHealth entities?

From 1 September 2004, the procurement process in various institutions will be harmonised to follow SingHealth procurement practices.

Generally, under this new sourcing process, SingHealth will engage vendors through the following procurement tools:

- ◆ Invitation to Quotes (for total value of purchase up to \$100,000)
- ◆ Tenders (for total value of purchase above \$100,000)
- ◆ Request for Proposals or RFP (for total value of purchase above \$100,000)
- ◆ Reverse Auction

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For the RFP process, SingHealth will invite selected vendors to submit proposals for various products and/or services through "Requests for Proposal". SingHealth may then evaluate these proposals, and, if it wishes to proceed further, any then invite any selected vendor or vendors for further negotiation/discussion.

Generally, it is expected that selection of vendors will be based, among other considerations, on:

- (i) end-user acceptance,
- (ii) price of products,
- (iii) ability to service all sites in system equally,
- (iv) product ordering options,
- (v) delivery capabilities,
- (vi) backlog policy (vendor finances added costs associated with products unavailable in specified time frame),
- (vii) available payment terms,
- (viii) product exchange program (expired product, obsolete product, etc.),
- (ix) diversity of product offering,
- (x) product consignment (where appropriate),
- (xi) program to report product utilization rates,
- (xii) contract compliance data,
- (xiii) access to informed and qualified support staff,
- (xiv) program for new technology pricing and availability, and
- (xv) product performance guarantees.

As is the case under the current tender process, SingHealth may also conduct end-user evaluations to evaluate the product quality and suitability of each vendor.

The foregoing is not, and is not intended to be, in any way, an exhaustive or comprehensive list of evaluation criteria. You will appreciate that the evaluation process is a dynamic one, which has to change and evolve to meet varying user requirements or the call of increasing standards of healthcare provisions.

Why was my tender unsuccessful?

SingHealth GPO Evaluation Committee makes the final decision. The committee comprises of clinicians from all institutions involved (medical staff, admin staff and biomedical engineers). At times, it also involves experts from other sectors. The scope of the assessment framework would include the technical, economic, social, professional, and ethical factors involved in the implementation of the vendor's product/ service.

Successful tenders or vendors' proposals are selected based on a set of objective criteria which offer the best value to SingHealth in terms of the total cost of ownership.

Why is the Final Contracted Price no longer published?

The Final Contracted Price is no longer published as SingHealth regards it as strategic information. However, vendors are assured that SingHealth pledges to uphold the highest standard of Professionalism, Integrity and Good Faith.

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Where can I view the new SingHealth GPO Tender/RFP Notices?

Vendors can view new Tender/RFP notices at <http://gpo.nhg.singhealth.com.sg>
Please note that such notices are uploaded every Friday of the week.

Where can I view new Open Tender/RFP Notices called by SingHealth institutions?

Vendors can view new Tender/RFP notices at the following sites:

- CGH - <http://www.singhealth.com.sg/tender/cghtender/cghtendermain.html>
- KKH - <http://www.singhealth.com.sg/Tender/kkhtender/tenderkkh.html>
- SGH - <http://www.singhealth.com.sg/Tender/Users/Tendersgh.html>
- NCC - <http://www.nccs.com.sg/tenders/main.htm>
- NHC - <http://www.nhc.com.sg/tenders.asp>
- NNI - http://www.nni.com.sg/tender_notices.htm

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