

#### 4. CHANGE OF CONTRACTING PRACTICES: LIFT MAINTENANCE SERVICE CONTRACT

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The purpose of this report is to seek Council approval to enter into a maintenance service contract with Otis Elevator Company Pty Ltd for the Council's lift portfolio.

##### EXECUTIVE SUMMARY

In the report to the March 2002 Council meeting (Change of Contracting Practices - Property Unit) approval was granted to negotiate a FMM contract with City Care. That report also outlined a four stage process; the first being to rationalise the specialist services trades so that new single-supplier maintenance contracts could be established for lifts, fire and safety and HVAC. To date we have successfully completed the steps necessary to put in place a comprehensive lift maintenance contract for all our 32 lifts and escalators; we have finished the RFP process which involved our existing two contractors (Schindler and Otis) plus a third (Kone), all three being large major lift installer and maintenance companies. The result was that Otis Elevator Company Limited proved to offer the best value deal for the Council, and we have achieved a 15% net saving for each of the next four years.

##### BACKGROUND

###### Existing Contracts

The Council currently owns 32 lifts or escalators at 12 locations; manages four lifts at three other locations; and NCC has seven lifts at three locations. The existing lift portfolio was roughly split 50/50 between Schindlers and Otis before this latest tender .

###### Existing and Proposed Form of Contracts

The contracts in place are made up of a combination of 'Preventative' ie a standard fee plus parts and labour or 'Comprehensive' being a fixed fee to cover all costs. Generally the conditions of these lift/escalator maintenance contracts were written by the maintenance companies who would not entertain any substantive variations to their provisions. Each contract varied to some extent from the others which made it a very involved process to determine the rights and responsibilities of the parties. There was also a strong unwillingness to maintain a competitor's equipment. The style of these contracts encouraged a reactive approach to asset maintenance, with repairs initiated only when there was an identified problem to fix.

Attitudes have been changing with major property owners (including the Council) seeking better maintenance deals. Over the last few years there has been a substantial change in the approach taken to contracting. Organisations such as the Council now focus more on the end result of the work and use performance based contracts as opposed to a method based approach (prescriptive). This provides the flexibility to allow the contractor to make decisions to ensure that maintenance is attended to at an early date before it becomes a problem.

The result will be to reduce the level of supervision required with a move to an self audit based approach. This also simplifies the administration of the contract and provides opportunities for the contractors to gain 'competitive advantage' through development of innovative solutions. The taking of initiative by the contractors also results in them looking to expand outside their specific area of expertise as they recognise the opportunity to leverage their existing capabilities.

The key aspects of this new style of contract are:

- It is performance based with the Council setting out the standards to be achieved (rather than how to do the work).
- It requires the contractor to determine the appropriate maintenance programme and solution for the asset (rather than the Council telling the contractor what to do and when to do it).
- It puts in place a lead contractor for all the work required to maintain the assets with the lead contractor employing the specialist sub-contractors (rather than the Council having a relationship with all of the contractors employed for each part of the work maintaining the asset).
- It is a partnership between the lead contractor and the Council with information being openly shared and innovation fostered (rather than a 'them and us' contractual relationship).
- The Council will have one contract for the provision of lift maintenance services, instead of a number of individual contracts.

## **Tender Process and Results**

In September of 2001 the Council wrote to the lift maintenance contractors regarding the change in its contracting strategy. In this advice, formal notice was given to invoke the termination conditions embodied in each maintenance contract along with a requirement that the company provide details of any maintenance agreement that they had for council owned or managed elevator equipment.

A list of contractors was drawn up who had the ability to manage the total Council lift portfolio. These contractors were Otis Elevator Pty Co Ltd, Schindler Lifts New Zealand Ltd and Kone Elevators Pty Ltd, these firms being the only lift servicing firms in Christchurch. There are other service providers but they are localised firms in Wellington and Auckland only.

In February 2002 a formal RFP was issued with copies being forwarded to the above companies. The basic terms of the contract will be for a term of four years, with right of renewal of a further one year at the sole discretion of the Christchurch City Council, for a comprehensive maintenance regime. The closing date for proposals was 20 March 2002 and on that date two were received; Otis and Schindler. Kone entered a late tender which was formally rejected in terms of established council processes.

On the basis of a weighted attribute the proposals were ranked:

Otis Elevator Pty Co Ltd  
Schindler's Lifts NZ Ltd

However the two complying proposals were at a figure higher than that currently being charged so both were rejected in terms of clause 21 of the RFP. In accordance with the RFP conditions the three tenderers became eligible for consideration. Pursuant to clause 22 of the RFP Otis Elevator Pty Co Ltd were nominated as the preferred registrant and were offered the opportunity to enter into negotiations. The details of those negotiations are included in a public excluded report as part of this reporting process.

## **CONCLUSION**

The Christchurch City Council is moving towards a Facilities Maintenance Management contract philosophy and the amalgamation of all of its lifts and escalator maintenance responsibility into one contract over a period of four years is in line with this philosophy. Otis Elevators Pty Co Ltd offer the best proposal for the Council at present.

### **Staff**

**Recommendation:** That the Council enter into a single supplier lift/escalator maintenance contract with Otis Elevator Company Pty Ltd for an annual fee of \$159,150 plus GST in terms of the above schedule, as the individual existing contracts expire.

### **Chairman's**

**Recommendation:** That the above recommendation be adopted.