

**MEETING DATE:** June 18, 2003

**SUBJECT:** Procurement Authorization - Elevator Maintenance Service Contract

**RECOMMENDATION**

It is recommended that the Commission approve the award for an elevator maintenance service contract to KONE Inc. in the upset limit amount of \$1,900,000 for a three-year period from July 01, 2003 to June 30, 2006.

**FUNDING**

Sufficient funds for the 2003 requirements are included in the 2003 TTC & TCTI Operating Budgets. Adequate provision will be made in future years' Operating Budgets as required.

**BACKGROUND**

It is the TTC's responsibility, as an owner under the Elevating Devices Act & Regulations, to maintain elevating devices to CAN/CSA B-44 Safety Code for Elevators. This contract will initially cover maintenance of 66 elevating devices (64 elevators and 2 escalators at TCTI). Further, 18 elevators will be added by mid-2005 bringing the total number to 84 elevating devices covered under this maintenance service contract.

Over the past two years, elevator performance has improved steadily from 37.2 MDBS (Mean Days Between Stoppages) in 2001 to 51.9 MDBS in 2002. To strive for continuous improvement, the contract has incorporated specific performance targets for each year of the contract term with the first year target set at 60 MDBS, 65 MDBS for the second year and 70 MDBS for the third year.

The current two-year contract for elevator maintenance with Schindler Elevator Corporation includes the option for a third year subject to negotiating satisfactory pricing. Schindler's proposed pricing for the optional third year represented a 46% increase over the current rate. Schindler would not reduce their proposed pricing as they indicated that the current contract pricing is significantly under-priced and that their new proposed pricing correctly reflects their costs to provide this service with a modest profit. Based on this, staff concluded that a competitive proposal be issued to the elevator maintenance industry.

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## **DISCUSSION**

Eight companies were invited to submit proposals in addition to the public advertisement on the Commission's Web site on April 8, 2003. A pre-bid meeting was conducted on-site to allow interested parties to view typical equipment, to review some of the highlights of the contract, and to provide a forum for answering any questions of concern. Four companies submitted proposals as summarized in the attached Appendix "A".

CNIM Canada Inc. submitted the lowest proposal pricing, however they failed to provide signed copies of Addendum No.'s 1 and 2 and the evidence of the required 9002 ISO Registration for elevators. As a result, CNIM Canada's proposal is considered non-compliant and unacceptable.

The second lowest proposal price submitted by Thyssenkrup Elevator also did not include signed copies of Addendum No.'s 1 and 2. In addition, they did not provide a copy of their Level 1 Quality Assurance Manual as required in the Submission Requirements. As a result, Thyssenkrup Elevator's proposal is considered non-compliant and unacceptable.

The third lowest proposal price submitted by KONE Inc. did not take any exceptions and qualifications to the Commission's proposal document. They included all the requested documentation and possess the required 9002 ISO Registration requirements for elevators and their Level 1 Quality Assurance manual is considered acceptable.

Staff contacted the references provided by KONE Inc. from Calgary Transit, Go Transit and Massachusetts Bay Transit Authority. All of these transit properties noted that they have multi-year contracts with KONE Inc. for elevators and escalators and also stated their satisfaction with KONE Inc.'s performance. Staff considers KONE Inc.'s proposal commercially and technically acceptable and they are recommended for award.

The fourth lowest proposal price submitted by Schindler Elevator Corporation did not take any exceptions/qualifications and provided all the submission requirements.

The annual maintenance service charge per elevator proposed by KONE Inc. for Year 1 of the contract is approximately 27% higher than the current contract. KONE Inc.'s pricing for Year 2 increases by 4% over Year 1 pricing and Year 3 pricing increases by 4% over Year 2 pricing.

The recommended upset limit includes an allowance of approximately 15% for repair work for other reasons beyond normal maintenance such as vandalism and water damage.

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## **JUSTIFICATION**

The elevator maintenance service contract is essential to support the continued safe operation and reliability of Commission elevating devices and to be compliant with the regulating authority for regular maintenance, inspections and repairs.

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May 26, 2003

6-137

Attachment - Appendix "A"

**PROCUREMENT AUTHORIZATION -  
ELEVATOR MAINTENANCE SERVICE CONTRACT**

<b>COMPANY</b>	<b>TOTAL PROPOSED PRICES FOR 3 YEAR TERM</b>
CNIM*	\$723,043.20
THYSSEN ELEVATOR LTD.*	\$1,549,388.11
KONE INC.**	\$1,655,029.02
SCHINDLER ELEVATOR CORP.	

	\$1,742,038.88
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Engineers Estimate \$2,000,000

\* Non-Compliant Proposals

\*\* Recommended Proposal