

MEETING DATE: August 30, 2006

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 \$4,990,000.00 for a five-year period from September 1, 2006 to August 31, 2011.

FUNDING

Sufficient funds for the 2006 requirements are included in the 2006 TTC, TCTI and Wheel-Trans Operating Budgets. Adequate provision will be made in the 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 84 elevating devices. The contract also includes service for elevating devices to be added over the term of the contract as follows:

- +5 within the first year, for a total of 89 (2007)
- +3 within the second year, for a total of 92 (2008 & 2009)
- +5 within the fourth year, for a total of 97 (2010)
- +6 within the fifth year, for a total of 103 (2011)

Over the past three years, elevator performance has improved from 46.2 MDBS (Mean Days Between Stoppages) in 2003, 48 MDBS in 2004 and 61.8 MDBS in 2005. To strive for continuous improvement, the contract incorporates specific performance targets for each year of the contract term with the first year target set at 65 MDBS, 70 MDBS for the second year, 75 MDBS for the third year, 80 MDBS for the fourth year, and 85 MDBS for the fifth year.

DISCUSSION

Six companies were invited to submit proposals in addition to the public advertisement on the TTC's Web Site on May 31, 2006. Two companies submitted proposals as summarized in the attached Appendix "A".

Proponents were requested to provide pricing based on two options: Option 1 Pricing was for firm pricing based on monthly payments and Option 2 Pricing requested a 10% discount for annual pre-payment of the scheduled maintenance fee, with emergency repair to be paid on an as required basis. The contract terms also offered a performance incentive of 5% of the contract value of the annual scheduled maintenance fee for each year of the contract, if the contractor achieves the reliability requirements specified for each year of the contract.

The RFP was issued as a two (2) envelope process, which consists of reviewing the qualifications and experience information of the submission first and then considering pricing information as a factor in the evaluation of only those firms determined to be qualified to successfully complete the work. The proposals were evaluated by staff from the Plant Maintenance and Materials and Procurement departments based on the mandatory qualification requirements and only the pricing envelopes of the fully qualified companies were opened for evaluation.

KONE Inc.'s proposal provided all of the submission requirements and met all of the qualification

requirements. KONE Inc. is considered technically acceptable to perform the work.

Schindler Elevator Corporation did not submit the required mandatory submission evidence that two mechanics will be available to the TTC for maintenance service during normal business hours. In addition, Schindler did not provide a list as to the number of mechanics that will be available to the TTC for call back services during after hours, weekends and public holidays. Both of which were specified as requirements in the RFP. As a result, the proposal from Schindler is considered commercially unacceptable.

At the conclusion of the qualitative evaluation, KONE Inc. was the only proponent that met all of the Commission's commercial and technical requirements. Based on the proposals received, KONE Inc. is the only proponent considered qualified to perform the work.

The pricing envelope for only KONE Inc. was opened and evaluated. KONE Inc. provided firm pricing for both options and agrees to a 10% reduction for the annual prepayment of the scheduled maintenance fee. KONE Inc. is the current supplier of this service and the current contract is based on the 10% prepayment discount. KONE Inc.'s performance on the current contract has been satisfactory. Staff considers KONE Inc.'s proposal commercially and technically acceptable and are recommended for award.

A price comparison for rates with the current contract revealed an overall increase in pricing of approximately 2% in year 1 of the contract and a 4% increase in each of years 2, 3, 4 and 5 over the previous years' pricing. The 4% price increases are attributed to general increases for material and labour. KONE Inc. has a unionized workforce and has experienced a 3% to 5% increase in annual wages as well as significant increases in the cost of raw materials (e.g. steel, aluminum, stainless steel, copper, etc.) as well as energy costs.

The recommended upset limit includes a 5% allowance to cover the cost of the performance incentive and a 25% allowance to cover the cost of emergency and unscheduled maintenance over the 5-year term of the contract

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.

August 7, 2006

6-137

Attachment - Appendix "A"

**PROCUREMENT AUTHORIZATION -
ELEVATOR MAINTENANCE SERVICE CONTRACT
PROPOSAL NO. P31AT06095**

COMPANY	TOTAL EVALUATED TENDERED PRICING
KONE Inc. *	\$3,990,634.80
Schindler **	Pricing envelope unopened

* Only Compliant Bid

The above pricing includes a 5% incentive performance and 10% discount for prepayment of annual maintenance fees.

** Submission Requirements not met.

Plant Maintenance Department
August 8, 2006