

## Article # 8

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### Outsourcing of Government Maintenance Contracts

Outsourcing under a performance contract to reduce energy as well as maintenance bills of Government establishments (offices, hospitals, schools, community centres, street lighting etc.) is big business in Germany. At least 1.5 Million buildings are on the block of which only 5% have so far been targeted for performance contracting. More than 500 contractors are involved in this at least Rs, 3000 Crore/Year business. Growth of business at 20% /Year is excellent.

The trend is not surprising, because the financial situation of towns, and States caring and maintaining buildings is grim. There is little money to invest in modernization or replacement of existing technology for lighting, space heating and recently air conditioning (it gets hotter in Germany as well in recent years).

However there is an annual budget to cover energy and maintenance costs. The scenario in India is about the same. In fact it is even better because electricity tariffs for most public buildings are higher than in Germany.

Some municipal administrations are in the process of changing and rationalizing their approach and look for ways and means to outsource. As an example take street lighting.

Replacement of say the some sodium vapour of lamp may range from Rs.210 to Rs. 580. The lowest bidder usually wins independent of quality of product. Perhaps bad street light designs and even worse power quality, make it impossible to find out whether a lamp failed due to high voltage fluctuations, rains, non functioning ballasts or simply poor lamp quality.

We ask our readers to contribute their thoughts and perhaps even experience to the following issues in outsourcing street lighting contracts with emphasis also on long term reduction of electricity consumption.

Can you please provide some input on the following approaches:

1. How can we trust burning hours applicable for each type of lamp that may have been bench testing hours under most ideal conditions.
2. How to account for failure of lamp, due to external conditions like fluctuations in voltages, rain and any other factor not related to lamp and associated parts itself.
3. O & M cost to be considered (fixed and variable cost), in case of total manual operation carried out.
4. In case similar exercise is carried out in utilizing motorized operation with moveable ladder.
5. Cost approaches to be adopted considering large variability in size of the municipalities. Some of the Zilla Panchayats have lower number say 250 lamps in other municipality numbers are as high as 20,000.
6. How to address the quality issues in the procurement itself, since the secondary market generally dictates all these pricing and low quality products.
7. How to overcome lowest tender acceptance as against requirement of quality product issues, which is generally adopted in Government tenders.
8. Any other suggestions on the above.