

# The New Zealand LIFT FAX

The New Zealand Lift Fax is produced bi-monthly for the NZ lift industry. Just send your email address to LEC to subscribe.

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05/2008

## WHAT'S GOING UP or DOWN THIS MONTH

### Mike Flanagan at ACC:

With the split from Lift Solutions, Mike Flanagan informs me he has begun a new career at the Accident Compensation Corporation in Christchurch. I'm sure Mike will be invaluable with any ACC lift accident claims.

### Russell Appleton Departs KONE Wellington:



Sadly its farewell to Russell Appleton after taking on the KONE umbrella for a few years, it seems there is little satisfaction in branch management these days in the local lift industry. Surely the question must be being asked as to why the turnover of personnel moving company and or leaving the industry seems so

prevalent in NZ. Is it unrealised ambition; poor corporate leadership, or simply over looking the needs of the individual? My observation is that in nearly all cases, it's the employee making the decision, and not the corporation.

## EDITORIAL

### IS IT TIME FOR A REBIRTH OF THE LIFT ASSOCIATION ?

Typically, over the past three years the major lift corporations responded with a knee-jerk reaction to the invasion of the Commerce Commission with a 'shut the door', 'don't talk to anyone else in the industry' approach. I expect this was engendered by man's primal survival reaction of aligning with the perceived strength of the immediate group.

Admittedly times have been tough as the full effect of globalisation is radically changing our industry of old, and although some of those with a long experience of the lift industry understand the full effect of these changes, the reality is that change has always been a product of human evolution and with that comes uncertainty that plays on our inherited fears.

But we don't need to respond to the divisive misplaced accusation of collusion by weakening our industry, but just emphasis respect in our commonality as competitors, and challenge ourselves to be proud of our industry and all those in it by nationally representing ourselves. We only need to separate the competitive 20% of our association through adopting moral practices, and accepting that 80% of our associations are there in respect for ourselves as human beings. Without that we are little more than beings.

I believe it is time to unite as an industry, not reinforce these artificial barriers of fear engendered by the Commerce Commissions intrusion that exposed our weaknesses, by re-forming an association with values that encourages good practice, respect and excellence in all we do together, and so reject this imposed division.

This needs to be an association of individuals focused on the common interests of knowledge, friendship, and as a representative of the lift industry in NZ. Ed.

### Standards NZ to Update D2/AS3 – EN115:

With the update of the European standard EN115 for Escalators & Moving Walks dated July 2008, the DBH has set up a process of review using Standards NZ to update Building Code Approve Solution D2/AS3. LEC was asked to participate on the review group but felt it was more sensible to use **John Mardell - Schindler** Wellington to represent the industry, being located in Wellington where the committee will sit. LEC will remain an observer with possibly **Graham Leslie** representing **IPENZ and Otis**.

### SNZ to Consider a Platform Lift Standard:

Production of a Platform Lift Standard would allow for recognition as an acceptable solution under the Building Act. **Geoff Ellett** of Access Elevators Ltd ([www.lifts.co.nz](http://www.lifts.co.nz)) and **Ian Bougen** of Pandect Mobility Solutions ([www.pandect.co.nz](http://www.pandect.co.nz)) have been invited onto the committee with the following observers:- **Alex Quinn**; Quinn Elevators Ltd - **Bob Johnston**; Lifteye Consultancy - **David Cremer**; Cremer Engineering Ltd **Mike Schofield**; Associated Lifts- **Murray Barr**; Vertrans **Terry Viccars**; Kone - **Wally Trelewsky**; Wolfe Elevators.

### Peter Thomson Retires from T.L Jones Ltd:

Probably up there as one of the longest serving members employed in the one company in the local NZ Lift industry; Christchurch based Peter Thomson retired in January this year after some 50 years from starting as an apprentice in January 1959 with T.L Jones Ltd in Christchurch.



Peter was a prodigy of the apprenticeship era where employers mostly relied on local field skills to construct and commission new lift equipment, consequently Peter spent time in the UK with the then international colonial Express Lift Company to hone his skills before returning to NZ, and take responsibility for many local lift

installations in Christchurch.

With economic conditions pushing T.L. Jones into receivership in the early 80's, Ross Brown from the Dunedin based AOTEA Electric stepped in to use the always viable lift department to restore the financial viability of the company, but retain the T.L Jones name.

It was at this time at T.L. Jones Ltd that Peter took on overseeing the technical role of converting the EPL/Express design incandescent lamp based entry passenger protection light curtains to using infra-red sensors, that the Microscan division was ready to stand alone. And so that by the time Ross Brown decided to sell off: through technical innovation, the now profitable lift division to the multi-national Swiss lift company; Schindler, at the end of the 80's, who better to head the technical management but Peter Thomson with Harry Visschedijk as the design technician. And so using the T.L. Jones name, the Microscan product evolved through static to multibeam scanning, to slim-line and 3D to become a renown international supplier.

The company grew rapidly at this time to establish offices in Asia, India, the US, and China, but Ross Brown was finished with milking this cow, and so around 2005, T.L Jones was sold off to the UK based Helma Group, who happened to be world leaders in infrared sensors and manufacturers of the Memco range.

By 2009 the Thomas and Les Jones name and offices in Christchurch still survive, but Peter Thomson, who has overseen these many years of accomplishment and change, saw the 50 year mark as a good time to step aside and place his many years of experience into the realm of history. A time to reflect, rest a torn Achilles tendon he experienced on his first week of retirement, and enjoy the simpler pleasures of life with his wife Sheryl. Thanks for the memories Pete, and enjoy your deserved retirement. Bob.

### Colin Parkinson in Brisbane:

The well known Taranaki lift Colin Parkinson has emerged in Brisbane, presumably preparing for his future retirement in the sunny north coast of Australia. Colin ran EML for many years from New Plymouth and was one of the first into remote monitoring of lifts and providing local hands free phone systems in NZ.



#### EW NOW ON FACEBOOK:

*Elevator World, Inc., recently established a page on Facebook, the online social networking service. EW will be posting on the site daily, including news headlines, what's in the current issue of the latest EW publication, where in the world EW may be visiting and other information that may be of interest to friends and fans. Anyone with a Facebook account can access the EW page, but you must be logged into your account.*

#### KONE REPORTS GOOD FIRST QUARTER:

*For its first quarter of 2009, KONE Corp. reported an "overall good performance. In the January-March period, orders received totaled EUR898.5 million (US\$1.2 billion). The year-on-year decline in orders received was 19.6% in historical and 20.5% in comparable exchange rates. The level of orders received was higher than in both the third and fourth quarters of 2008. At the end of March 2009, the order book was EUR 3.8 billion (US\$5.1 billion). Net sales increased by 12.8% to EUR 1 billion (US\$1.4 billion). At comparable exchange rates, the growth was also 12.8%. Operating income was EUR91.2 million (US\$124.4 million) or 8.9% of net sales. The result was still encumbered by high raw material costs.*

#### SCHINDLER ANNOUNCES CAPACITY ADJUSTMENT AT EBIKON:

*Faced with a decline in the demand for high-rise elevators, Schindler has announced it will adjust capacity at its Ebikon factory through a reduction in personnel. At the same time, reduced work hours are to be introduced in response to the postponing of construction projects. Effective May 1, approximately 110 employees in production and supply-chain management at the Ebikon factory were placed on reduced hours until the summer vacation. This measure will affect approximately 65% of the employees working in these areas. At the same time, a consultation process has been started concerning the planned reduction of the factory's 250 personnel by 36 employees.*

#### THE 4<sup>TH</sup> SPANISH ELEVATOR EXHIBITION:

**Wed 17<sup>th</sup> June to Fri. 19<sup>th</sup> June in Barcelona.**  
for details see:- [www.elevcon.com](http://www.elevcon.com)

## Commerce Commission Vomits its Findings on Local Lift Industry Cartel Investigation:

We can all be crass, but the press release by the Commerce Commission regarding the investigation into the purported local lift industry Cartel reflects the vested interests of the local Commission and its disrespect for anyone fingered under its cartel rules in NZ. From my knowledge of the lift industry and persons tainted in this instance, the witch hunt of communists in the McCarthy era and burning of heathens by the Catholics draw similar parallels to this investigation.

The focus on hearsay, innuendo and reflected ignorance of simple competitive fervor needs to be considered thoroughly in the future, before over enthusiastically jumping in behind the draconian secrecy rules that remove any right of a fair response to accusation, if the commission wishes to remain a useful and credible investigative body in NZ.

The reason the Commission had to resort to a mud slinging report full of innuendo and unsubstantiated criticism but make no penalty, was purely face saving for not looking before they leapt.

If the Commission wishes to retain its credibility somewhere near its power, it needs to rely on good investigative process, and retain respect for all parties, giving the benefit of the doubt where specific evidence is not forthcoming.

It looks to me as if they entered this investigation to prove collusion, not to determine the significance and degree of culpability or effect on market competition, because if they had, they would have found this locally small industry is about providing a broad service and meeting multinational targets efficiently in a very **competitive** market.

The local NZ lift market is relatively small, but has still had to provide 24/7 experienced breakdown cover of any of their lift systems in NZ no matter how remote, which to meet customer and legislative demands, invariably pressured management and employee to have to occasionally work with competitors to assist in covering a lift breakdown or supplying thinly spread experienced labour throughout a widely spread market.

On the other hand, the lift industry the Commission investigated evolved without the broad range of packaged off the shelf solutions as reflected in the market today, where each company specifically designed and manufactured unique solutions in its control systems and component parts.

The result in this highly electromechanical past era, was that expertise was centered in lifetime employees reliant on overseas manufactured product distributed through local based companies or agencies, that developed highly specialized skills in its employees to install and maintain the technically complex equipment throughout NZ.

The industry therefore engendered strong company loyalty and fervent inter company rivalry in those days, where building property owners were best served by maintaining good communications between their lift service provider, as shopping around was seen as a disloyalty.

In the majority of new installations, I feel it fair to say that competition was keen, with pride in ones company and ones work paramount, but of course the market place is fickle, and there were times of boom and bust, and being a relatively small workforce spread thinly over NZ, there would have been times in specific localized areas and specific circumstances where there was little or no competition for a period, and I'm sure some sales managers tried to push the envelope.

But this didn't reflect longstanding anti-competitive behavior against fair competition as purported in the Commerce Commission press release, but the balancing of forces that exist in any market economy working in a free market to survive.

The lift industry was then about engineering, and apprentices and providing a service in return for a fair profit for the companies' endeavors, not about the myopic yardstick focus on bottom line management evident today.

The problem in trying to judge the past using today's values is the power and enthusiasm of a government appointed watchdog that seems keener to please through heads on the plate than to understand the industry.

The resultant justification for nearly 3 years of personal persecution of two community focused individuals and their families was through a press release full of nothing but innuendo, with nothing to prosecute and no apology.

Why weren't the corporations accused if this was a cartel as reported, or was it easier to prosecute anti-competitive behavior and accuse individuals rather than the multinational corporations, leaving the final press release to justify the application of mud and to further the Commerce Commissions profile.

Surely at the time of the initial accusations the Commerce Commission knew of the 10 year limitations, or was it just three years of trawling based on too much reliance on hearsay, and overseas hype hoping to hit the jackpot without any concern for the effects on the accused individuals.

I suspect in a climate of suspicion, where northern hemisphere lift industry corporations had just been prosecuted for market collusion, the Commerce Commission antenna's were very receptive to an approach by one of the multinational corporations who was keen to gain immediate immunity from naming and prosecution once the accusation was raised by dobbing in a competitor.

To light the fuse, it just took a relatively newly arrived to NZ, enthusiastic account manager to combine competitive inspired stories from the past, all with a little truth, and maybe a few disgruntled customers, to assert suspicion of his immediate past managers and strongest competitors associations.

In the end you need to look at overall local company profits and wider industry influences rather than focus on parts of individual sales circumstance or personal perceptions of past incidents, because if there is no obvious overall benefit to two or more corporate identities, then there is no substantive collusion.

In other words it can become a good old witch hunt. All service pricing was usually based on a formula of averaged cost, relative to the number of lifts, number of floors, expected work load, and thereby frequency of service. Large institutions of course always had bargaining power and efficiencies of distance between units, which could reflect reductions per unit in cost.

Of course there has been a reflected workforce arrogance in this industry over time from being in a presumed captive market, but interestingly this was not necessarily associated with price control nor reflection of collusion, but with a projected corporate belief within the major service providers that any lift in the companies portfolio was looked on as their 'life of the lift' responsibility.

Because of the nature of the comprehensive contracts in the industry, the perception was also that the building owner was the third party and thereby less important in the contract, where the company and employees took all responsibility of how the lift was looked after, and the owner just paid the bill. Once again we need to look at the reality of this pre-microprocessor era. Lifts were managed as a total portfolio, where responsibility both financial and for day to day operation was based on control of the pool of resource against cost.

An example is similar to insurance, where the costs are spread over the total portfolio income. This better

handles the vagaries and fluctuation of claims. And so from the lift service provider's perspective, the annual maintenance cost to the building owner is a proportion of the overall lift company portfolio cost, and not necessarily just the cost to maintain the specific equipment in any one contract.

It is therefore understandable from a building owners perspective, who has experienced little problem with his lift, that excessive charging or even collusion could be perceived. Even where breakdown of the lift occurs, there may be many excess hours spent trying to locate intermittent faults, or the repairing of expensive failed components that are not so obvious to the owner at the time, but are soaked up within the lift company portfolio costs.

Consequently, in the period focused on by the Commerce Commission in their investigation and report, in their desire to only look for evidence of negative practices of individuals, I can only conclude that exaggerated focus was given to personal grievances, competitive fervor and hearsay, rather than to understand this past period of the industry.

There may have been individual acts of persons working together to keep an industry of many variables viable, but from my knowledge of the persons involved, their good characters and community involvement over many years, combined with overseeing building owners needs in association with the lift industry, I find it difficult to not respond to the uninformed self interested slurs handed down in the report.

It is not that I don't understand the response of the Commission; I just put it down to an over enthusiastic and over powerful regulatory body working in an environment focused on penalty rather than understanding, who is very aware of political criticism and the need to justify its position seemingly with little regard to those whose lives it impacts.

It also has to be said, that the environment of offering 'first in' immunity may work against the commission's credibility, as from my understanding in both this and the Thyssenkrupp case, it may encourage the unprincipled "dobber" with vested interests to respond rather than expose genuine market concerns.

I therefore think it only fair to state this opinion and hopefully it puts some balance into the irreparable harm done, by briefly reflecting on the lift industry since the era so venomously portrayed in the report existed, in the hope the commission has a better understanding of the industry, and is less likely to waste tax payers money in any future Don Quixote like exercises.

Ed.