

Contracting out Property and Facility Management Services

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ABSTRACT

The evolution of facility management services has gone through the evolution from in-house services to contracted single services, outsourcing and total facilities management. Therefore, a contractor may be a single service contractor, packaged service contractor, management contractor, management agent, or total facilities management company. Further, the relationship between a client and a service provider is changing from input driven service to output driven service and from adversarial to partnership.

This paper deals with facility and property management service contracts and compares the practice in the UK, the USA and the continent of Europe. During the autumn of 2000 27 companies and three other organisations, and in total 41 persons were interviewed. The interviews included topics on company profile, service marketing, procurement process of services, contract, co-operation during the contract time and general trends today and in the future.

Facility Management suppliers have diversified pasts. They may have been former in-house Facility Management departments, Property Management companies, consultants, project managers, utilities companies, single service providers such as cleaning, catering, maintenance, construction, former government departments or building control systems providers. These have had low barriers to emerge their services to the total facilities management.

In the UK the length of a service contract is normally 3 years and the extension of 1-3 years is possible. Annual contracts with automatic continuing and 2-5 years' contracts are possible. The termination time is normally 30 days, but can vary 30-90 days. The contracts are normally based on key performance indicators (KPI) and service level agreements (SLA). Benchmarking is mostly in use. Quality controlling is based on quality planning and surveys, auditing and customer satisfaction surveys. The contracts often include bonuses and sanctions. Many of the contracts are performance driven using some form of win-win principle, i.e. shared savings. The sanctions are based on quality level, and performance related penalty system is in use. The private finance initiative (PFI) and the public private partnership (PPP) are in use as financing systems.

In the US the length of the contract is normally 5 years but varies between 3 to 15 years. The time of giving notice for the termination of the contracts is normally 6 months and varies between 3 to 12 months. BOMA has standardised property management in different classes of

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buildings A, B and C. The norms of IREM may be used, too. The forms of benchmarking are tenant surveys, internal benchmarking, and external benchmarking based on available information of e.g. BOMA. The contracts normally do not include sanctions and rarely bonuses.

The systems in the NL, Belgium and France resemble more the British than the US ones.

In the UK it is expected to be an increase in the private sector outsourcing from 40-60% over the next three years, driven by a corporate desire to focus more on core activity. The number of suppliers is going to reduce. The lack of good people that are qualified, able and committed is a problem in all countries. Most of the professionals believe in globalisation of FM and PM services. One important challenge is the implementation of technology.

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