

# European Business Development

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## Market Report – 23/09/03

### A Year of FM 2002-03

Looking back over the past 12 months, there have been numerous key items on the FM and wider business – agenda: security, both cyber and physical; business continuity; TUPE; Health & Safety legislation, with asbestos exposure and disabled access facilities high up the priority list; return on investment, capital and assets; cost of ownership; lease terms; flexible working; and energy efficiency. The PFI/PPP phenomenon has been rolling on, accompanied by staggeringly long contracts for FM services. And set against all this has been the urgent question – put by so many for so long – “How do we get the board to listen?”

In July, MBD issued the latest of its reports *'The UK Facilities Management Market Development'* and placed a value for the UK's FM market in 2002 at £94.9bn, which represents a 35 per cent increase compared to 1998. FM is notoriously difficult to define, let alone value, and MBD points out that in the Report the potential FM market includes work contracted to third parties, including total FM contracts, and the value of projects undertaken in-house. (MBD slices the market into three – total FM, contracted-out projects and in-house projects).

Wrapped into the organisation's computation of market value are manpower costs, operational management and strategic management including services, consultancy and training.

Demand for Total FM, where the full responsibility for undertaking and organising FM services is contracted to a third party company who undertakes the work or sub-contracts the work to other companies, has increased. The Report says, “The market remains relatively underdeveloped and is in a strong growth phase”. Further, MBD expects this sector's value to increase by 39 per cent in real terms up to 2007 to £10.4bn.

In 2007, MBD expects the potential FM market value to reach £108.9bn – real term growth of 12 per cent compared with 2003. Predicting is a vague science, but the key message is growth, and set against today's pervasive gloomy economic environment it is a welcome beacon of light.

Learning about the latest developments in FM and related disciplines can prove difficult. Looking back at the past year, two (one-day) conferences in particular have stood out as being particularly topical and worthwhile.

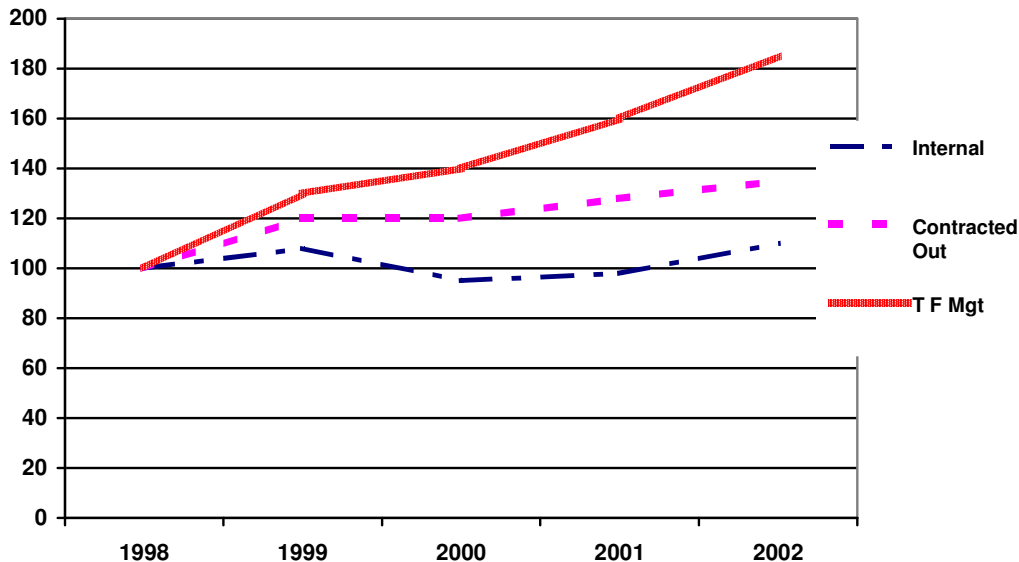
One was Andrew Mawson's Advanced Workplace Associates and the Strategic Planning Society's *"The revolution in work and place – managing infrastructure strategically"*, which highlighted that when firms break the link between what people do and where they do it, many new opportunities become available.

The consensus? True leaders have the clarity of vision, take risks, have the ability to get the workforce enthused and have the courage to embrace the process of change.

The other was the fifth IPD Occupiers property Databank event, organised by OPD director Christopher Hedley and now established as a March fixture for the industry.

Here there was a call from the head of Nelson Bakewell's Corporate Real Estate (CRE) team Tim Asson for property occupiers to "Get their act together" and urged universities, in particular, to take property and especially the occupier's aspect, seriously.

**Indexed growth in the UK market for FM 1998-2002**  
**(The UK FM Market Development Report, MBD)**  
**Index: 1997 = 100**



## Efficiency

Economist Sabina Kalayan, Capital Economics, maintains that the business sector could make up to £19bn a year by using its property more efficiently – equivalent to between 1-2 per cent of GDP. The argument is this could translate into savings of up to £700 per year per employee – sufficient justification one would think for propelling property onto the boardroom agenda.

This flags up a particularly provocative chunk of the role of property and facilities professionals. Management training today preaches finance, technology, marketing and HR but pays scant attention to property –despite the necessity for it to be a key boardroom issue. Picking up on the various themes gleaned at conferences and select gatherings over the past 12 months, management and university level courses need to address such items as linking property with corporate strategy, and reviewing property portfolios with the aid of IT and communications. Companies have been spending too long looking at just what space they need rather than how property can sustain or limit a business.

The Government's Energy White Paper burst onto the scene this Spring with laudable aims. Energy efficiency is now seen as the cheapest way of cutting carbon dioxide emissions and indeed the Government expects it to contribute over 50 per cent of the 60 per cent emissions reduction target called for by 2050. The intermediate target is 15-25m tonnes of Carbon (MtC) by 2020. If all businesses adopted energy efficient measures, Action Energy reckons that the UK could save 17.5MtC emissions.

While the initiative was welcomed, there were many exasperated reactions over the lack of detail on how the efficiency improvements described are to be achieved or funded, and the lack of a cohesive approach to sustainability by government generally.

## Log books

Linked to this, there is now a statutory requirement through Building Regulations that all new non-residential buildings in England and Wales are handed over with a Log Book containing details of the building services installed, enabling owner/occupiers to monitor and control energy consumption. Further, the same applies to refurbished and existing buildings where significant changes have been made – so that if a boiler is replaced, a log book is needed to cover the new plant and heating system.

The initiative – bounced off the back of the European Union's EPD Energy Performance Directive effective from January 2003 – was promoted by CIBSE with a guide and standard template for preparing log books.

BIFM's deputy chairman Mick Dalton says, "If FM's are to embrace the sustainability and environmental arguments, a Log Book is a must. FM's have energy budgets to maintain and the log book provides relevant information".

FM is a wide and rich (in terms of characters and issues) industry. There is much going on and much still to happen. The Disability Discrimination Act is expected to cause much activity around the implementation deadline of October 2004. Talk is starting about structured cabling becoming the fourth utility. PFI/PPP projects are still being watched. And property is set to become a boardroom issue, despite (or perhaps because of) management consultants having still to escape the tainting murk of the fallout from the like of Worldcom. Enron, Tyco et al.

Meanwhile, the researchers at MBD expect "A gradual trend to an increasing concentration within FM, partly reflecting the greater demand for consultancy services and tailor-made packages for clients." The report also acknowledges evidence of "A growing internationalisation of FM recently" – which the researchers expect to continue up to 2007.

Watch that space.

- Frank Booty is a freelance writer. Details about MBD report from [www.mbdltd.co.uk](http://www.mbdltd.co.uk)