

## BRAD ROBBINS



## Is FM a commodity?

Khidmah's director services, Brad Robbins on why FM should not be seen as just 'a nice to have'

**W**ith the decline in the Dubai residential property market over the past two years, there has been a view from most property owners, that as the rental declines on their investments, so should the cost for provision of FM services.

This is only possible for so long. With thin margins, an increasingly competitive market, and in most cases, FM contracts limited to one year, it isn't long before service levels are cut and the number, experience and calibre of staff engaged to deliver the services is reviewed, just to compete.

The problem for the customer then arises. He begins to receive like for like proposals from various service providers, each with varying levels of ability to deliver.

FM is not a commodity like the six monthly servicing of a fire extinguisher, which involves the same Civil Defence set scope that we pay a fixed price for. Or, the OA, which owners are driving into a rate per unit/per annum market.

FM is far from being a commodity. Each contract may have many different inclusions or exclusions and service delivery levels. Procurement teams may issue scopes of work based on generic templates that do not fully reflect requirements. FM has to be tailored specifically for each case.

If you look at the costs which make up a standard service charge for a residential tower, you will see the FM costs - in line with RERA regulations - now makes up, in most cases, less than 40% of the total costs - once you remove utility costs, insurance, OA charges, sinking or reserve funds, master community fees and sub-contracted services to name a few.

### How do we ensure that we are seen as the one helping to reduce costs as opposed to being the one who has to reduce their fee?

So what can we as FMs do to ensure we are not perceived as a commodity? How do we ensure that we are seen as the one helping to reduce costs as opposed to being the one who has to reduce their fee?

There are a few areas which we can focus on such as utility charges. With utility costs continuing to rise and accounting for over 30% of the service charge cost, more pressure is on the FM provider to reduce costs. We can look at setting performance targets to actively reduce the utility spend. Often, with housekeeping measures engaged within the buildings and with little or no capital costs, savings in the region of 10% can be achieved, much more with capital costs and re-commissioning of poorly commissioned systems.

Another area to consider is the Term of Agreement. Under RERA regulations, FM providers can be engaged for a three year term, though rarely are FM agreements in single towers longer than one year, as there is a view among owners and associations that tendering each year will yield reduced costs. If we can move towards the three or even two year agreements, collectively we can offer reduced terms with more certainty and the ability to pass on cost savings for longer term agreements - for

transport and accommodation of staff, equipment depreciation, contribution to energy management targets - all of which assist to form a partnership with a view towards reductions over a reasonable term with the client. A win-win for both parties, of course, with built in termination clauses for performance.

MEFMA has recently undertaken working groups to look at benchmarking and contracts of the residential market. Published industry benchmarks for the provision of services, against known asset classes of properties, will assist the FM market, whereby we know it costs a certain amount per annum/per square foot to maintain an A grade building.

To go, there we must embrace the use of industry-wide and accepted KPI's or SLA's for residential towers to compare apples with apples, or, like with like in terms of delivery and then cost.

These measures are gaining. If we work together towards this level of consistency, it will assist the FM residential sector and educate our clients of the service levels recommended for the industry, allowing them to make informed decisions on like services. They will value extra services offered by companies for the appointment of FM providers to their buildings.

It is an interesting time and with the residential market showing little signs for improvement, there still is opportunity for the residential FM sector to deliver collectively together in this market.

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