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THE DIFFERENT APPROACHES TO THE FM CONTRACT

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Abstract

In July 2002 a new strategy for the maintenance and operation of the surface installations and buildings and for the provision of services has been implemented with the start-up of the "Facilities Management" contract. After almost 2 years, the first main contractor has been replaced, the scope of the contract has been slightly modified, and the person in charge of the contract at CERN has modified the way the contract is managed in order to better adapt to the existing situation so to face and solve several strategic issues. During the same time, the boundary conditions, in particular the legal ones, have forced other modifications onto the general strategy. This paper, after a general and brief introduction to the Facilities Management and its objectives, focuses on the differences between the original strategy, the experience with the first contractor and the present status with the present one. Specific examples will also be mentioned to show the modifications and the adaptation to the new conditions. Finally, an overview of the possible future evolutions in the short and medium term shall be mentioned.

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1 INTRODUCTION

In July 2002 a new strategy for the maintenance and operation of the surface installations and buildings and for the provision of services has been implemented with the start-up of the "Facilities Management" contract. After almost 2 years, the first main contractor has been replaced, the scope of the contract has been slightly modified and the way the contract is managed has been modified in order to better adapt to the existing situation so to face and solve several strategic issues. During the same time, the boundary conditions, in particular the legal ones, have forced other modifications onto the general strategy.

2 THE FACILITIES MANAGEMENT APPROACH

The Facilities Management is originally thought of as the transfer to the Contractor of the responsibility for the management of the execution of the work, at present carried out by CERN staff. The management includes the planning and the responsibility of the performance (CERN role is to define the level of service required), the decision making process (including the allocation of resources), the supervision of the subcontractors, the reporting and the control of the work (from the quality and technical point of view) and the corresponding accounting.

This strategy, originally born in the United States, is nowadays well widespread in most of the European countries, United Kingdom, France and Germany in particular. In general, the longer the number of years that this strategy has been implemented in a company, the higher the level of responsibility delegated to the contractor. Another factor determining the level of delegation is the strategic importance (and its level of sensitivity with respect to the company's expectations) of the activities included in the scope of the contract with respect to the core activity of the company.

The main purposes of this change were to release some CERN staff, by outsourcing the coordination and management tasks, and to realize some savings by taking profit from the synergies in the merging of several activities. The staff could therefore be focused on the core business of the ST Division and support the LHC project.

The number and type of activities included in the FM contract by CERN are the same as for the major part of the companies that adopt the same solution; also the amount of the overall contract is within the average.

According to similar experiences visited during the last two years and to benchmarking surveys, the following points are generally the most critical:

- the activities included have not a direct influence with the core business of the company;
- the tendering and adjudication process might affect the success of the project;
- the number of activities in the FM contract is generally increasing, according to the evolution of the contract, since new activities are added to the ones originally in the scope; on the other hand around 30% of the companies has insourced an activity at the end of the contract;
- the evaluation of the performance of the contractor implies spending more relevant time than expected.

Most of these points are also confirmed in CERN case and in the next paragraphs some more details are provided.

3 CONTRACT EVOLUTION

The FM contract has been tendered between May 2001 and February 2002 and adjudicated in March 2002. The implementation phase lasted until the 1st July 2002, starting date of the contract.

The first contractor, encountered several problems from the very beginning and the low performing situation was completely not acceptable for both parties; this has lead in December 2002 to a joint agreement in terminating the contract and CERN has contacted the second successful bidder, that took over from June 2003.

Both with the first contractor and with the second one, around half of the existing companies having a specific activity under their responsibility has been kept as subcontractor; some of them have been changed in around 4 months in order to ensure at first the continuity of the basic services and then, to start a planning of improvement once that the implementation period was over.

Several changes on CERN side have occurred in the same period, following different legal constraints and the need to adapt to a situation in evolution, taking profit of the experience made. The most important ones are:

- withdrawn of the access control activity from the contract and adjudication to a CERN direct contractor, in order to better manage all the legal and Host States regulations;
- tighter control on contractual technical issues between contractor and subcontractors;
- extended role of management by CERN staff.

The first point is related to the unclear possibility of claiming the unicity of territory for CERN domain and the consequent legislation to be applied in case of work performed on both Host States or in only one of them; at present some discussions are still being held in order to define a general policy to be applied for Industrial Support contracts placed by CERN.

4 ACTIVITIES MANAGEMENT

4.1 Knowledge of CERN environment

It is standard practice in other FM projects that the new contractors hire directly the staff that was previously in charge of the same activity; in fact, the outsourcing included both the activity and the staff related. This scheme could not be repeated at CERN both because CERN's staff was foreseen by CERN management to be focused on LHC project related activities and CERN's staff themselves had no intention to move to the new company.

This lack of knowledge of CERN environment and its expectations put the contractor in an extremely difficult situation in its day-to-day work, since it had not in its own team the feeling of CERN's sensitivity to some problems. CERN's staff has several times warned about "sensible" issues trying to raise the awareness of the contractor, but this problem could be solved only in the long run and, after almost 2 years from the start of the contract, the situation is slowly improving.

The role played by CERN's staff as interface between CERN users and the FM contract has become therefore extremely sensible and strategic in order to compensate the lack of service provided.

4.2 Local management team

The success of the contract is mainly due to the effectiveness of the local management team that has the most important role to play with respect to both CERN and subcontractors. The Facilities Management philosophy has to be deeply understood and put into practice; this is only partly related to the professional competence of the persons that needs also to be of good level. This has not always been the case in CERN's experience with the consequence that CERN's request has not always been taken into the proper consideration and the communication among the different actors has been sometimes extremely difficult, with CERN expecting a certain service and the management team delegating its own duties to the subcontractor.

4.3 Subcontractors management

CERN expected that the main contractors could manage more efficiently the subcontractors and the related activities by profiting of synergies and by employing people specialized in these specific domains, while the present experience showed several weaknesses for the main contractor.

CERN's first approach was to held regular meetings with a weekly frequency in order to verify the correct performance. Since the beginning of the contract a daily meeting (originally foreseen only during the start up) showed to be the only possible way to react as fast as possible and to try to prevent malfunctions and breakdowns.

One of the major problems the first contractor met was the difficulty in managing subcontractors partly due to their better knowledge of CERN and its installations; in some cases this fact has been used by subcontractors to under perform knowing that the main contractor was foreseeing a very limited control and supervision on the site installations.

In addition, the most serious problem one contractor had to face was the non application of CERN's requests and contractual requirements in the contract with its subcontractors; in some cases the discrepancy included also the payment conditions (on hourly basis instead of lump sum amount) and the gap between the requests and the service provided could not be recovered. In order to remedy this problem, a detailed check on the application of back-to-back conditions on technical issues has been performed guaranteeing a common objective by all the actors concerned by the activity (CERN, main contractor and subcontractor).

Finally, none of the main contractor, has been able to put any subcontractor in concurrence with others in order to reduce the costs; in some cases the situation was completely inversed with the subcontractor in fact leading the negotiation with the main contractor that had no possibility to find other alternatives. This was mainly due to the bad knowledge of market conditions in the Geneva area (all main contractors are coming from other countries and had no experience on the local market).

CERN needed to avoid to be involved in a situation in which any malfunctioning was always due to the third party's fault (main contractor or subcontractor): this is only possible with a close control and monitoring of most of the activities, checking in detail which action has been taken and by whom.

All these actions show how CERN involvement in the daily operational activity is in fact doubling in parallel to the one provided by the contractor.

4.4 Maintenance management

As for the previous point, CERN performed and still performs a detailed check on as many installations as possible in order to verify the correct reporting; although several requests,this activity is not fully covered by the main contractor for which a non conformity (and penalty) is transferred to the subcontractor, thus not affecting his own result.

CERN's staff is therefore chairing and managing some specific meetings in order to increase the level of service on the most important activities; the contractor's attitude is more as an executor than the manager of the overall service.

In addition, CERN staff is replacing the contractor where some actions are not taken or taken with a too long delay with respect to contractual conditions; specific additional price enquiries have been sent out (ex. floor restoration, consolidation activities and major repairs) and contracts adjudicated to external companies.

4.5 Minor works management

According to the contractual agreements, the FM contractor is supposed to manage, perform and supervise all minor works (generally defined as work whose amount is small, for which no major study or preparation is required and whose impact on existing installation is minor) required by CERN's community. All contractors wanted this service to be provided uniquely by the subcontractors with a result of long delays in the response to the request and a not complete control on the work performed.

It has therefore been decided by CERN that a reduced team of CERN's staff will take care of all the management part of the request, discussing with the requestor and preparing the definition of the work to be done: the execution part is delegated to the contractor with a clear definition of the material to be provided and of the related cost. This solution has been implemented in October 2003 and has allowed guaranteeing a satisfactory delay in the performance (previously being around 3 months in average).

5 CONCLUSIONS

The author considers anyhow that the FM strategy is a reasonable approach to the rationalisation of resources and to comply with the budgetary constraints, provided that some issues that have been identified as being the most critical ones in this type of contract, are taken into consideration and duly weighted.

Since this contract is based on a high level of trust by CERN with respect to the main contractor, the adjudication process has to be carefully evaluated, the economic issue being not only, and surely not the most important factor, to be analyzed. It is clear that this kind of contract will be satisfactory both for CERN and for a contractor only in a perspective longer than a few years and in case all the actors have as common goal the provision of a good level of service to the client, thus increasing the turnover of the contract. The present experience, while economically fully satisfactory for CERN, shows in fact that the effort of obtaining a positive economic balance by the contractor, combined with a perspective of a 3 years contract, leads to a minisation of costs and a lower level of service provided. The search of a win-win situation must lead to a positive solution: CERN is actually deducting the amount corresponding to the work not performed by the contractor, but this can generate a loop in which a company is not performing to reduce its losses and CERN is not paying since the work is not done. One possible way to obtain a higher involvement of the main contractor and the subcontractors in the effort of optimizing their work and the service provided might be to enhance the bonus system, linking it to the service provided; the budget envelope should be dealt differently than at present.

In addition, a careful analysis between the possible savings obtained and the resources involved by CERN has to be made in order to find the best possible compromise: as for the minor works, if a certain level of service needs to be guaranteed, the involvement of CERN in the process is higher than the one originally foreseen.

The present contract is the first experience made by CERN in this perspective, and a certain tuning in the strategy anyhow had to be foreseen; similar projects in private companies throughout Europe showed that a satisfactory situation has been obtained after several years of contract.

It has also to be taken into consideration that in this contract other additional activities can be included, provided that the existing ones are satisfactorily performed and managed by the contractor and that the effort requested to CERN staff is reduced.