



Government of **Western Australia**
 Department of **Health**
 Office of the Director General

Hon J.C. Kobelke, MLA
 Chairman
 Public Accounts Committee
 Parliament House
 PERTH WA 6000



Dear Mr Kobelke

RE: PUBLIC ACCOUNTS COMMITTEE – REQUEST FOR ADDITIONAL INFORMATION

I refer to your letter of 27 December 2011 requesting additional information from the Department of Health in regards to the Public Accounts Committee hearing on the Inquiry into the decision to award Serco Australia the contract for the provision of non-clinical services at Fiona Stanley Hospital (FSH).

In response to your request for additional information:

1. A copy of a report created by Steve Cary for the Department of Health reporting on the outcomes of the market sounding activities undertaken in 2009 is attached. There are no further reports on the outcomes of the market sounding activities.
2. Cary Consulting was engaged by the Department through a public tender process to provide services to the FSH Project in June 2007. The then Department of Treasury and Finance facilitated this process. The contract was for the provision of Project Direction Services to the South Metropolitan Area Health Services (SMAHS) for the development of the Fiona Stanley Hospital. Steve Cary undertook the market sounding exercise as part of this contract.

I trust this clarifies the matter. Please contact me if you would like to discuss this further or if the Department can be of any further assistance to the committee.

Yours sincerely,

Philip Aylward
A/DIRECTOR GENERAL

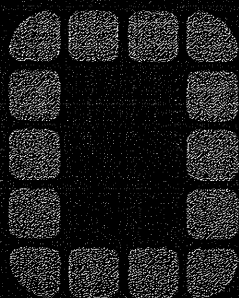
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189 Royal Street East Perth Western Australia 6004
 Telephone (08) 9222 4002 Fax (08) 9222 4314 TTY 1800 067 211
 Letters PO Box 8172 Perth Business Centre Western Australia 6849
 ABN 28 684 750 332
<http://www.health.wa.gov.au>

FIONA STANLEY HOSPITAL

Integrated FM Market Sounding Report

Fiona Stanley Hospital



A REPORT BY THE FIONA STANLEY HOSPITAL PROJECT TEAM

July 2009



Government of Western Australia
Department of Health



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Appendix A - Draft Services Schedule

Appendix B - Market Sounding Presentation

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EXECUTIVE SUMMARY

A market sounding was undertaken by the FSH Project Team to determine:

- the market's appetite for the proposed FM Contract for the FSH and
- to obtain feedback relating to the proposed technical and commercial content of the FM Contract.

The market sounding was undertaken in late May / early June 2009 on the eastern seaboard of Australia, due to all major FM organisations' head offices being located on the eastern seaboard. Nine organisations took part in the market sounding.

The major findings of the market sounding were:

- The level of market interest was considered high and based on the feedback at least 3 EOIs should be received from highly capable organisations.
- The market supported the commercial framework and approach proposed by the FSH Project Team.
- The market suggested that a smaller group of building services maintenance contracts should be bid through the Managing Contractor. These subcontracts would be limited to lifts, BMS, security and other ELVS / technology based systems.

The market sounding also provided excellent commercial feedback which can be used by the FSH Project Team to optimise the commercial principles during the development of the technical, procurement and contract documentation for the FM Contract.

1. INTRODUCTION

The procurement strategy for ancillary goods and services for the Fiona Stanley Hospital is proposed to include an Integrated Facilities Management Contractor (FM Contractor) who will be responsible for providing a wide variety of services including:

- Facility Integration Services
- Hard Facilities Management Services,
- Soft Facilities Management Services, and
- Management of State Contract Services.

While the final services mix within each of these categories has yet to be resolved a preliminary analysis of the services mix presented to the FSH Steering Committee on the 20 May 2009 is included in Appendix A of this document.

2. PURPOSE OF MARKET SOUNDING

The proposed procurement strategy, while borrowing principles from PPP procurement and outsourcing, is significantly different from other Facilities Management contracts let within Western Australia and, therefore, it is essential that a "market sounding" is undertaken. The purpose of the market sounding is to:

- Inform all major market participants within Australia of the project including providing an overview of the proposed procurement strategy and to garner interest in the project,
- Obtain feedback from the market on the procurement strategy that may be used to improve the strategy and ensure it aligns with the capability of the market and its willingness to accept the proposed risk transfer, payment arrangements and broad commercial structure. This in-turn will inform the content of the Expression of Interest document (EOI) and ultimately the Request for Proposal document (RFP) to be issued by the State.

3. METHODOLOGY

The following is a summary of the methodology that was used in undertaking the market sounding.

- Research was undertaken regarding the major market participants within the facilities management industry related to major social infrastructure projects (including health projects),
- Following the research a list of 9 major market participants were obtained. These included:
 - Transfield Services
 - ISS Facilities Management
 - Compass / Medirest
 - Sodexo
 - Serco

- United Group
 - Spotless
 - Honeywell and
 - Brookfield Multiplex Services
- As all of these companies generally have head offices on the east-coast of Australia, the FSH Project Team believed that the market sounding was optimally conducted out of Sydney as this would signal to the market a willingness to engage in a more serious manner with the market. The FSH Project Team based on its experience on other projects believed that the market sounding would be optimally conducted by arranging separate meetings between the FSH Project Team representative and the relevant company. This would enable each company to provide its feedback without informing its competitors of its views and therefore would not impact on its ability to win the project.
 - The FSH Project Team representative (Steve Cary) contacted each organisation and offered a 2 hour meeting to each organisation in the period commencing 25 May 2009 and finishing on the 3 June 2009. Each of the organisations accepted the meeting invitation.
 - The FSH Project Team developed a standard presentation that was given to each market participants (refer to Appendix B for a copy of the presentation). This ensured that the FSH Project Team member conveyed the same level of project detail to each organisation.
 - Following the presentation various topics were discussed with each organisation. Each organisation's response was recorded in writing and are included in Appendix C of this report.

4. PROBITY CONSIDERATIONS

The FSH Project Team understands the importance of undertaking the market soundings in a fair manner that does not provide any advantage to a particular company. The following is a summary of Probity Issues and how the FSH Project Team has addressed these / will address these issues.

1. Probity Issue - Ensuring Brookfield Multiplex do not have an advantage over other organisations due to their involvement as part of the Stage One Managing Contractor Contract.

Probity Action – One objective of the market sounding was to communicate all relevant information associated with the Stage One Managing Contractor Contract to the market and to provide the market participants with details relating to the draft Integrated FM Contractor procurement strategy. By doing this, all market participants will end up with better information, relating to the proposed Integrated FM Contract, than the Managing Contractor will obtain via the Stage One contract.

2. Probity Issue – Each organisation must be treated in a similar manner.

Probity Action – The following actions were implemented:

- *Each organisation was offered up to a 2 hour meeting¹.*
 - *No meetings were permitted to run for over 2 hours.*
 - *A standard presentation was given to each organisation to ensure the information conveyed was the same.*
 - *A standard list of discussion topics was used to obtain feedback from each organisation.*
 - *No written or electronic material was left with any of the organisations.*
3. **Probity Risk** - Have all market participants being communicated with? If some organisations were not identified in the research phase then some may be disadvantaged.

Probity Action – The market research investigated major FM service providers on Health and social infrastructure projects in Australia. While the FSH Project Team believes that it has identified all major participants, the information generally included in the Market Sounding should also be included in the EOI so that, in the unlikely event that other organisations are interested in submitting an EOI, they will not be disadvantaged.

4. **Probity Issue** – Feedback does not form part of the procurement or assessment process.

Probity Action – No content included in this report is permitted to influence the evaluation of EOIs or RFPs obtained as part of the procurement process for the FM Contractor.

5. FEEDBACK AND IMPLICATIONS OF THE MARKET SOUNDING

5.1. GENERAL

The general finding was that the majority of the organisations all were impressed that a professional one-on-one market sounding was undertaken by the State. Many organisations conveyed feedback that they could ask questions without the concern that their competitors will gain an insight into their operations / business.

5.2. LEVEL OF INTEREST

The level of interest was generally considered high to very high. Some market participants were concerned that Brookfield Multiplex would have an advantage over other organisations. To address this issue the FSH Project Team communicated the State's strong objective to treat all organisations equally, as demonstrated by the market sounding (see section 5.10 for further details).

¹ Due to time constraints of senior management some organizations only wanted to have a 1 hour meeting.

Some organisations gave feedback that they do not have a significant health / social infrastructure business in WA and that this will need to be considered when deciding whether to bid for the project. Some examples of feedback are:

- [REDACTED] – do not have a significant health FM business in WA and management will need to decide if the health FM business strategy is to include WA,
- [REDACTED] – gave feedback that senior management in the company has a view that public hospitals in WA should be avoided due to the experience with the Western Australian Government (at RPH – where a contract was terminated). However [REDACTED] liked the procurement strategy and the project and would therefore brief management regarding the project to ascertain if they will bid for the project.

Most organisations generally agreed that the short-list should be no greater than 3 Respondents. Some organisations thought that a short-list of two would be preferable ([REDACTED]). Some organisations indicated that a short-list of 4 Respondents would significantly reduce the attractiveness of the project.

While some organisations were prepared to provide a bid bond, feedback was generally in agreement that bid bonds are not usual in the industry and that once an organisation decides to bid for a project they are generally committed and rarely pull-out.

Implications of Feedback

It is highly likely that at least 3 EOIs will be received from highly capable FM organisations.

5.3. CONTRACT STRUCTURE

All organisations were generally supportive of the proposed commercial and procurement structure.

The majority of FM Contractors supported the State's current proposal for the Soft FM Services to be subcontracts direct with the FM Contractor. They generally believed that this provided for better control of the services subcontractor, better risk transfer for the State and enabled the services to be modified over time (e.g. alter services subcontracts scopes to increase efficiencies).

Honeywell provided strong feedback that the services subcontracts should be direct with the State and that FM Contractor should act as an agent of the State to manage these contracts. [REDACTED] thought that this would avoid the FM Contractor having to place "industry" margins in the "teens" (i.e. 13% to 19%) when very little risk may be actually be taken by the FM Contractor in relation to these services.

Feedback regarding general industry mark-ups was sought and the general consensus was that mark-ups depending on the risk, were generally in the order of + / - 10% and in the longer run the price should be lower than a direct contract arrangement of the services subcontracts with the State.

However, some additional feedback in relation to the proposed MES contract was obtained. This included:

- [REDACTED] believed that the MES contract should be direct with the State, due to the perceived high risk of this contract,

- [REDACTED] believed that the contract would be back-to-back and that effectively no risk would be taken by the FM Contractor.

Implications of Feedback

As the industry generally supports the proposed commercial structure no changes are required (i.e. the concept of all Soft FM Services provided by the FM Contractor under direct subcontract should remain). However, the State should be aware that in relation to some services (particularly MES) the State may obtain a better value proposition by having the contract direct with the State, with the FM Contractor responsible for managing the contract as the agent of the State.

5.4. CONTRACT TERM

5.4.1. TERM OF FM CONTRACTOR

Generally, the industry was of the view that a contract term for the FM Contractor of 15 years was preferable with the industry being unanimous that a minimum of 10 years as a term was required.

Feedback was also received that options should be placed on top of this term and that this option may be triggered by good performance of the FM Contractor.

Implications of Feedback

The State should consider of a term in the range of 10 to 15 years with options to extend. The State should investigate the ability to define "good service" in the years leading up to the end of the contract term to ascertain if the option(s) should be triggered by "good service" or whether the State should retain the option to trigger the option at its sole convenience.

5.4.2. TERM OF SERVICE SUBCONTRACTORS

Feedback was received that the service subcontracts should not all terminate on the same date as the disruption to the hospital would be significant. Feedback regarding contract periods was generally 5 years plus options of either 1, 2, 3 or 5 years. By having a variation in option periods it will enable the contracts to be transitioned at different times.

Implications of Feedback

The term for each services subcontract should be assessed on a case by case basis by the FSH Project Team during the development of the commercial principles / legal documents to provide a high degree of flexibility to the FM Contractor and State during the transition periods.

5.5. LONG TERM FAILURE / REPLACEMENT RISKS AND MC FM SUBCONTRACTS

Feedback from the industry was very much aligned to the following:

- That long-term failure and replacement risk for non-building services should not form part of the FM Contractors risk as the FM Contractor has no ability to

control these risks. Note it was also felt that if these risks were transferred to the FM Contractor that it would provide Brookfield Multiplex with an unfair advantage.

- That the MC FM Subcontracts should only contain long-term equipment failure and replacement risks (and comprehensive maintenance) for lifts, BMS, security systems, fire detection systems and other technology based systems.
- That no MC FM Subcontracts are required for the big building services subcontracts such as mechanical, electrical, hydraulics and the water side of fire services. This is because the FM Contractor industry believes that it will price the risks more aggressively and that the State may reduce its ability to get value for money on the construction subcontracts. The organisations in the market sounding believed that they could manage these risks via the level of maintenance undertaken during the contract term.

Feedback was also received from one organisation that the FM Contractor should not be forced to execute the MC FM Subcontracts as it may believe that it can provide the services at a lower price.

Refer also to section 5.15 in which the possibility of an MC FM Subcontract for Soft Landscape maintenance and care is discussed.

Implications of Feedback

- *That consideration be given to having the MC FM Subcontracts limited to lifts, BMS, security systems and other technology based systems (e.g. ELVS). Further work with the Managing Contractor must be undertaken to refine the selection of the building systems and the definition of the scope of services associated with these subcontracts.*
- *That the FM Contractor should not be forced to engage any MC FM Subcontracts, as the FM Contractor may believe that it can provide the services at a lower price and higher level of service. The offer availability from the preferred MC FM subcontractor / tenderers will therefore need to be long enough for this to occur.*
- *That the FM Contractor is made responsible for all comprehensive maintenance, breakdown, repair and replacement risks over the contract term for all building services.*
- *That the FM Contractor is not responsible for repair and replacement risks for the building / finishes (other than building services) as the FM Contractor does not have the ability to manage these risks.*

5.6. SCOPE OF SERVICES

Some organisations, particularly those with more health experience, have indicated that full end-to-end services at a subcontract level, is not optimal, as this will limit the ability to obtain efficiencies between services. For example, the concept of Ward Support personnel who may provide waste, linen, catering, spot cleaning and even some patient support tasks was mentioned by 3 organisations [REDACTED]

[REDACTED] These same organisations and [REDACTED] questioned the current plan of the State to not include portering services, as this limits the efficiencies that can be

delivered by the private sector (i.e. limits the ability to maximise multi-tasking of the staff).

Examples where multi-tasking is currently being provided by these organisations includes (Alfred in Melbourne – currently in operation; Royal Womens (PPP) in Melbourne not yet operational and Royal North Shore (PPP) in Sydney not yet operational).

Additionally, an innovative solution that is being implemented on Royal North Shore includes the use of robotic devices for material movement throughout the hospital (this may extend to waste, linen, goods, catering etc).

Other services that were identified as potentially being suitable for outsourcing were sterilisation. The implementation of instrument tracking is a critical part of the sterilisation process. Some organisations are providing these services on projects including providing other sites (e.g. sterile packs of instruments) within an area health service.

Most organisations also thought it was important that the FM Contractor was given the ability to adjust service specifications of Soft FM Services / subcontractors to align them with the overall strategy of the organisation. Some organisations also thought that they should be able to suggest amendments to the KPIs provided by the State so that the KPIs reflected the services required and did not become compliance difficulties.

Implications of Feedback

- *The FSH Project Team is reviewing its position in relation to the exclusion of portering services. If the review concludes that portering services are to be included in the services mix then a list of tasks should be developed to ensure the role is clearly demarcated with other tasks that are to be provided by the public sector within the hospital.*
- *The FSH Project Team is reviewing whether sterilisation services should be included in the service mix.*
- *The FSH Project Team is reviewing the design of the hospital to ascertain the design, procurement and construction implications of amending the building design to accommodate robotic devices for material movements within the hospital. The FSH Project Team is also undertaking a review of robotic devices for materials movement to better understand the advantages and disadvantages (including undertaking indicative commercial assessment) in order to better understand these systems prior to the release of the RFP.*

5.7. TENDERING OF SOFT FM SERVICES

Some organisations believe that the Soft FM Services should be tendered (to potential subcontractors) at the same time to enable organisations further opportunities for gaining synergies. For example, some Soft FM Providers may be able to provide catering, cleaning and security services. By tendering these services at the same time it will enable these subcontractors to identify synergies and thereby reduce the price to the State.

Implications of Feedback

The FSH Project Team will need to ensure that the service specification / KPIs etc for all major Soft FM Services are prepared to enable their tender at the same time to enable the sub-contract market to identify synergies. This may include security services, waste services, patient catering services, linen services and cleaning services.

5.8. SOFT FM SERVICES - PROBITY AND PRICING ISSUES

Many of the organisations gave feedback that they would be very keen to secure not only the role of the FM Contractor but also various Soft FM Services. Most organisations had differing capabilities in this area (e.g. from one service to nearly all services). The issue of probity was therefore discussed. Generally, it was accepted that if the FM Contractor wished to tender for the Soft FM Services that it would not be able to take part in the tender release and evaluation, prior to the nomination of preferred subcontractor.

Implications of Feedback

The following is suggested for consideration to enable the FM Contractor to tender for nominated Soft FM Service subcontracts.

That the RFP for the FM Contractor requests separate prices relating to the procurement services for each Soft FM Service. This includes:

- 1. Developing Procurement Documents – A fixed fee for the development of the final services specifications, KPIs, contract / commercial documents and other procurement documents must be provided for each Soft FM Service, to align with the integrated FM strategy of the FM Contractor.*
- 2. Managing the tender and negotiation process for each Soft FM Service – a fixed fee to manage the release of the tender documents, communications, negotiations and drafting a report that recommends the preferred subcontractor (all in accordance with the relevant State procedures), must be provided for each Soft FM Service.*

In the event that the FM Contractor wishes to tender for the relevant Soft FM Service then the scope detailed in point 2 above will not be undertaken by the FM Contractor (i.e. the State will undertake these services) and no fee will be payable.

Following the appointment of the preferred subcontractor the FM Contractor would then be involved in the final review and subcontract award process.

Note that the FSH Project Team will also be responsible for reviewing the scope of services and other procurement documents drafted by the FM Contractor to ensure that the FM Contractor is not tailoring the services scope so that they have a significant advantage over their competitors.

5.9. PAYMENT INCENTIVE AND ABATEMENT ISSUES

Feedback was provided by [REDACTED] that an "open book" approach should be used in the pricing. [REDACTED] typically use this approach on its contracts and find that this improves trust between the client and the contractor.

Most organisations believe that it is important that the services specifications and demarcation between the various Soft FM Services will need to be developed by the FM Contractor. This ability to alter the scope of works of the subcontractors (with the State's approval) after the appointment of the FM Contractor, supports the need for transparency.

Other findings in relation to payments included:

- most organisations also supported the combination of both incentives and abatements,

- most organisations believed that customer satisfaction should be incorporated into the incentive regime,
- most organisations believe that KPIs should be minimised to avoid significant compliance costs that often do not contribute to the provision of high quality services,
- some organisations advised that if operational savings were identified and delivered over a number of years, that the share of savings should not be limited to one year but a number of years (say 3 – 5 years to ensure an appropriate incentive is provided),
- most organisations believe that abatements should be structured to create the desired behaviour of the FM Contractor and the subcontractors and should avoid being punitive / resulting in major fee reductions (typically the feedback was that for each service (and the overall service fee) that abatements should generally be limited to a 15% - 20% reduction in the applicable annual service fee).
- most organisation supported quarterly adjustments to the fees based on the relevant index,
- most organisations supported the benchmarking of the various services at 5 year intervals (Post Operational Commencement Date)

Implications of the Feedback

The FSH Project Team consider the above feedback when developing the commercial principles for the contract.

5.10. CONCERN REGARDING UNFAIR ADVANTAGE OF BROOKFIELD MULTIPLEX

Most organisations expressed some concern regarding the role of Brookfield Multiplex and whether their involvement in Stage 1 gave them an unfair advantage. Feedback provided by the FSH Project Team representative to each organisation included:

- That the State was keen to ensure a completely fair tendering process where no party has any advantage,
- One of the purposes of the market sounding was to provide the industry in general with better information, relating to the FM Contract, than Brookfield Multiplex would obtain via its Stage One contract (noting of-course that Brookfield Multiplex Services was also consulted as part of the market sounding),
- That the State does not intend to transfer repair and replacement risks for non-building services risks, to the FM Contractor as the FM Contractor does not have the ability to manage these risks. Additionally, if the State was to transfer these risks then Brookfield Multiplex would be provided with a significant advantage over its competition due to the familiarity they would have gained as part of the Stage 1 contract (hence further supporting the State's current strategy to not transfer these risks to the FM Contractor),
- That as the State intends to transfer maintenance, repair and replacement risk associated with the building services that full design information will be

made available to the short-listed parties to minimise / eliminate any advantage that Brookfield Multiplex may have in this area.

Implications of Feedback

The FSH Project Team minimise / eliminate any perceived advantage that Brookfield Multiplex may have, by ensuring that the full design information (particularly in relation to building services) is provided as part of the RFP process (e.g. data room or issuing of full design information as part of the RFP).

5.11. SUBCONTRACTOR TERMINATION RISKS

Feedback was requested from organisations regarding specific subcontractor termination and change of ownership risks. This included feedback regarding:

- the ability to purchase any equipment, upon the termination of a subcontract, to enable the effective transition of the subcontracted service, and
- if the subcontract was terminated for poor service, insolvency or if there was a change of ownership that resulted in greater risk of insolvency would the FM Contractor accept full risk.

It was generally agreed that the FM Contractor must have the ability to purchase equipment (if not already purchased) at the end of the subcontract (whether at end of subcontract term or due to a termination event) to enable efficient transition to be implemented.

In relation to the acceptance of all risks associated with Subcontractor termination the feedback was mixed generally as follows:

- A slight majority of the organisations thought that a KPI holiday (or at least a reduction / discount of the abatement regime should be applicable). The main argument to support this was that the under the procurement strategy if a full back to back abatement regime and large balance sheet security was required it may reduce the number of subcontractors that were willing to tender for the project.

Additionally, while pre-agreed minimum requirements and a short-list of tenderers may be agreed prior to the release of the subcontract tenders, the FM Contractor may be forced to accept a Soft FM Services subcontractor that has the lowest price (but it not necessarily the first choice of the FM Contractor).

- The remainder of the FM Contractors believed that acceptance of this risk in full was typical within the industry, regardless of the proposed procurement strategy.

Implications of Feedback

That the above feedback is considered by the FSH Project Team when developing the commercial principles / legal documents for the FM Contract.

5.12. DEMARCATION WITH SOFT FM SERVICES - TECHNOLOGY

Mixed feedback was obtained regarding the provision of technology associated with Soft FM Services. For example, should the patient catering subcontractor be responsible for providing the ordering software / taking of orders or should the FM Contractor?

Specialist subcontractor ([REDACTED]) thought that it was essential that the software / ordering form part of the subcontractor scope of works. Whereas, the majority of the other organisations saw this as an essential part of the FM Contractor's role. The reasons given were:

- To maximise synergies with other services to be provided by the FM Contractor,
- To ensure a fully integrated solution is provided and
- To minimise the difficulties of changing service providers in the future:

In the event that the FM Contractor provides the technology / interface services it is essential that the FSH Project Team review the proposed scope of work to ensure the FM Contractor is not actively trying to lessen the competition at a Subcontract level (to increase their chances of winning the services Subcontract).

Implications of Feedback

- *The FSH Project Team believes that Respondents (FM Contractors) should be encouraged to provide innovative integrated solutions, which is likely to include the provision of technologies to capture relevant service requirements / orders. The feedback from the majority of the organisations supported this approach.*
- *The FSH Project Team will need to review the proposed scope of works for various subcontracts (as they are developed by the FM Contractor) to ensure the FM Contractor is not actively trying to lessen the competition at a subcontract level (to increase their chances of winning the services subcontract) by customising the scope to their unique processes / systems.*

5.13. SECURITY / BANK GUARANTEE

The need for the State to have security of services was communicated to the organisations. This is likely to be done via a combination of balance sheet protection (e.g. Parent Company Guarantee) and bank guarantee. Feedback was received that in the event that bank guarantees are required they should be approximately 5% of the annual fee.

Implications of Feedback

That the above feedback is considered by the FSH Project Team when developing the commercial principles / legal documents for the FM Contract.

5.14. NOVATION OF SUBCONTRACTORS TO STATE

Feedback was received that at the end of the FM Contractor's contract term the ability should exist for Subcontracts to be novated to the State. This will make it significantly easier for the State to transition the FM Contractor.

Implications of Feedback

That the above feedback is considered by the FSH Project Team when developing the commercial principles / legal documents for the FM Contract.

5.15. SOFT LANDSCAPE SUBCONTRACT

As part of the market sounding the FSH Project Team requested feedback on the proposal that the soft landscaping be scoped in the following manner:

- The subcontractor to the MC is responsible for the comprehensive maintenance and care of the soft landscaping including the replacement of plants as required for a period of 1 - 2 years post Practical Completion. With 2 years the preferable term. This may be achieved via an MC FM Subcontract.
- The FM Contractor at the end of this period would then procure a subcontractor to manage the long-term maintenance and care for the Soft Landscaping and the contract value with the FM Contractor would be altered to reflect any change in the subcontract costs (noting that fees for management and margin would have already been included in the tendered fees).

The FM Contractors gave strong support for this strategy.

Implications of Feedback

The FSH Project Team can proceed with its proposed strategy relating to Soft Landscaping maintenance and care, as it is supported by the market.

5.16. ESTABLISHING ENERGY TARGETS AND TRANSFERRING UTILITY VOLUME RISK

The market sounding expressed the State's wish to transfer the volume risk of the utilities to the FM Contractor. In particular, electricity, gas and water volume risks should be transferred to the FM Contractor.

Feedback regarding the optimal method of transferring these risks was provided by some organisations. This may generally be summarised as follows:

- That the MC is the only entity that can guarantee the performance of the building as the MC is responsible for the design and construction.
- That the MC should be held accountable to a level of performance.
- That a base line of utilities' "volume usage" is set after a 1 to 2 year period. And that an incentive arrangement is put in place to manage this risk.

Implications of Feedback

- *That the above feedback is considered by the FSH Project Team when finalising the commercial principles / legal documents for the FM Contract and when finalising the Stage 2 contract with the Managing Contractor.*
- *Consideration is given to establishing the baseline volume usage for gas, electricity and water usage on the project within the say first 2 years of operation. This base-line may then form the volume risk to be transferred to the FM Contractor. Savings achieved may form part of the incentive regime to be developed (see recommendation in section 5.9).*