

Perspective

World Contracting News, Views & Comments

Submit your news for publication to Denise Anderson at danderson@bscai.org

ARGENTINA-BUENOS AIRES

Strike Called Off

A strike called by contract transport workers in charge of maintenance, security and passenger assistance paralyzed the subway system for two days. Workers want to be included in the collective bargaining agreement covering Metrovias' - which holds the metro franchise - employees, a concession that would assure them of better pay and working conditions. Workers decided to end the walkout early Thursday after reviewing a negotiating proposal presented by the Labor Ministry. Labor Ministry officials plan to hold a meeting with union representatives.

AUSTRALIA-MELBOURNE

Government Spends \$20,000 To Educate Smokers

In the first campaign of its kind in Australia, the city council has launched Butt Free Business, a \$20,000 campaign to help teach city office workers not to drop cigarette butts outside of office buildings. The program entails sending out consultants to help building managers implement plans to reduce butt litter, such as educating staff and installing bins and the council has prepared a CD-ROM tool kit for businesses outlining six steps to reduce littered butts around offices. Cigarette butts make up more than 45 percent of street litter with about seven billion cigarette butts dropped every year in Australia. People who litter butts face fines of \$100 to \$200.

AUSTRALIA-WEST

Creating Awareness When Letting Tenders

As part of its "Benchmark Program" BSCAAWA has been making presentations to cleaning industry client groups, to lift awareness in what they should look for when letting tenders. A recent presentation was

made to 50+ West Australian local government Procurement Managers. Ian Westoby, BSCAAWA's Executive Director, outlined briefly each of the 'Benchmarks' with Jenni Wood, OCS Services, closing with an in-depth explanation of the "Costing Schedule". This schedule outlines every cost a professional commercial cleaner incurs even showing a profit margin. It generated a number of questions including "How do you know if a tenderer has included all these costs" - Simply divide the number of hours quoted into the tendered price, if it falls below the benchmark they have made a mistake or under quoted. "What can a cleaner do per hour" - Simply divide the number of hours quoted into the building's square meters then ask yourself if that is reasonable.

CANADA-ALBERTA

Province Attempting To Go Green

In an effort to take the lead in ensuring its facilities are environmentally friendly, 80 provincial buildings in Alberta are slated to adopt new environmental standards aimed at improving their long-term sustainability. In order to achieve Go Green certification, operated by the Building Owners and Managers Association (BOMA), the buildings must meet minimum standards in 10 categories, including water and energy use, recycling, indoor air quality, and ventilation maintenance. While initially the project will have some expense, the province believes it will save money in the long run.

CANADA-QUEBEC

New Cleaning Company Launched

In an effort to operate in Quebec, Hurley Corp. has launched a new cleaning company in a 50-50 partnership with family owned Signature service d'entretien, believed to be one of Canada's first janitorial companies. The new entity,

Signature Hurley services aux immeubles Inc. will operate out of Signature service d'entretien's Frontenac St. offices and is anticipating initial sales of \$2.5 million in 2006.

CANADA-QUEBEC

Growing Too Fast?

The recent slew of acquisitions by Garda World Security Corporation – six in barely four months – is causing concerns in financial circles particularly since in March, Garda announced its first big equity issue, a bought deal led by GMP Securities that could raise up to \$105.3-million. While the growth is predicted to bring in revenue of more than \$630 million, more than 2.5 times than the expected revenue for 2005, causing the stock to jump 167% over the past year, investors are being cautious before putting money into the company offering security services such as armored cars, electronic surveillance and airport screening. The first concern is that the growth is too fast and widespread. Garda recently acquired United Armor Services of Chicago and Vance International in the US and Rentokil Initial PLC's security guard business in Canada. In the \$60 million Rentokil deal, Garda paid 12 times the operating revenues for Rentokil, which has a low 4% operating profit margin. Another concern is Stephan Cretier, chief executive of Garda, is selling one million shares, bringing him approximately \$22.5 million after fees but before taxes and leaving him with a 21% stake in the company. Many analysts are waiting until results for at least the fourth quarter ended January 31st are posted before making a determination as to the health of the company.

CHINA-HONG KONG

Economic Expansion Sustained

An IMF report notes the economic expansion that began in mid-2003 has now been sustained for nine consecutive quarters. Job creation has steadily gathered strength, which has brought down the unemployment rate quite significantly. Hong Kong's labor market has proven to be highly flexible with no minimum wage legislation, no public unemployment insurance scheme and a small tax wedge facing the unemployed. However, while the unemployment rate has declined, it does remain high in some low-skilled sectors. As a result, there is an ongoing debate on whether or not to introduce a statutory minimum wage and standard working hours law.

GERMANY-MANNHEIM

Mixed Message In Financial Markets

Many private sector economists had predicted that the European Community Bank would raise interest rates in May but Jean-Claude Trichet, ECB president, made it clear that the bank was looking to June for the next increase in interest rates. There have been mixed messages in the financial markets. German economic organization, Ifo points to the strength of German business confidence while Mannheim-based ZEW institute's economic sentiment index dropped - the third consecutive monthly drop. The ZEW index, which in January had stood at the highest level in almost two years, fell from 63.4 points in March to 62.7 points in April. ZEW said the economic mood could have been boosted by stronger orders in German industry, but were offset by negative factors such as worries about a slowdown in world economic growth, frustration at the pace of change under the new government of Chancellor Angela Merkel, and high oil prices. As a result, many fear that the recent optimism about the eurozone's recovery might have been overdone.

IRELAND-BELFAST

Overcrowded Hospitals Pose Risk

A study, published in the British Journal of Nursing, reports that half of Northern Ireland's surgical wards are exceeding the UK's overcrowding guidance limit of 82 percent. All 11 medical facilities in Northern Ireland have percentage occupancy rates greater than 85 percent with turnover between patients averaging from 1.2 hours to 4.8 hours over a 24-hour period and in some cases as little as 72 minutes. The concern is that the high rates increase the risk of patients acquiring deadly hospital-acquired bugs such as MRSA. In a five-year period from 1999-2004, the number of patients waiting for a first outpatient appointment in Northern Ireland increased by 70.6 percent.

JAPAN-TOKYO

Premium Office Market Booming

Vacancy rates for office space in central Tokyo fell below 4 percent at the start of 2006 - for the first time in more than four years – causing real estate profits to soar and letting landlords raise office rents by 5 to 10 percent. While the supply of office space is increasing, demand continues to grow even faster, as many companies

look to upgrade to bigger and better office space. However, much of the demand is concentrated in the commercial centers of Tokyo and a handful of other large cities and is not expanding to the suburban and regional areas as of yet.

NEW ZEALAND-WELLINGTON

Real Estate In Wellington Provides Great Returns

2005 was a very good year for commercial property investors in Wellington, who received an average return of 18.66 percent during the year, the highest return in at least 17 years. While the Wellington central business district office market, driven by growth in the public service sector has provided the most return, retail, office and commercial, and most regions of the country have also experienced increases. New Zealand and Auckland industrial property had the highest returns of all at 24.60 percent and 24.39 percent respectively.

POLAND-WARSAW

Impel Cleaning Lands Four Large Contracts

Polish cleaning company Impel Cleaning, a subsidiary of facilities management holding Grupa Impel, has signed four new contracts, including the state-owned caregiver Samodzielny Publiczny ZOZ Zdroje in Szczecin with revenue more than PLN 10 million over three years, and Torun City Specialist Hospital with a five-year contract worth PLN 2 million. In the ZOZ Zdroje contract, 140 Impel workers will care for approximately 30,000 square meters of property. Grupa Impel posted a net profit of PLN 20.6 million in 2005, over a loss in 2004. The security sector reported the strongest growth and cleaning services brought in approximately one-third of the company's revenues.

SOUTH KOREA-SEOUL

WFBSC President Speaks At BSCAI Annual Convention

Mr. Yoo Ki Kim, President of the World Federation of Building Service Contractors, made a presentation at the 2006 BSCAI Annual Convention and Trade Show held in Nashville, Tennessee,



Mr. Yoo Ki Kim

welcoming and encouraging delegates to attend the World Federation Congress that will be held in Seoul in October. Those present enjoyed a presentation of what the educational courses would be and the venue they will be held in. They also saw a brief film on the exciting places World Congress delegates will visit.

SWEDEN-STOCKHOLM

Increase in employment continues

Statistics Sweden reports that in February 2006 the number of employed men amounted to 4,252,000, an increase of 104,000 over February 2005. The number of hours worked was on average 141.9 million hours per week, also an increase over 2005. The number of unemployed was 253,000 ($\pm 15,000$) compared to 274,000 in February 2005. The difference falls within the margin of statistical error. Unemployment decreased to 5.6 percent from 6.2 percent in February 2005.

THE NETHERLANDS-AMSTERDAM

Turnover Up By 7 Percent

The turnover in the security and investigation branch rose by 7 percent in 2005, to around 1.5 billion euro, a sharp rise since the last quarter of 2004. Turnover in the first quarter of 2005, for example, was 5 percent higher than in the same period of 2004. This growth continued throughout the year. Security firms are active in various fields, such as guarding company buildings, personal security (body guards) and public safety during public events. Nearly three-quarters of turnover in this branch is generated by company security activities. These include entrance security, shop security and surveillance. The number of companies active in the security and investigation industry has grown explosively in recent years: between 2000 and 2005 the number of companies rose by more than 70 percent to around 1,250. Half of these companies did not have any employees and about one third had fewer than 5 employees. The growth in the number of firms between 2000 and 2005 was mainly in these two groups of small companies. Forty-five companies in the security and investigation branch in 2005 employed 50 or more employees. This number remained at about the same level between 2000 and 2005. In spite of their relatively small number, the larger companies accounted for about 80 percent of total turnover in this industry.

UAE-DUBAI

Facilities Management Expected To Grow To \$144 Billion Dh

With \$36 billion Dh invested in construction and infrastructure works, in Dubai, it is expected that the cost to manage the resulting facilities will rise from its current level of 2.5 billion Dh to \$144 billion Dh. Facilities management covers a range of buildings from commercial towers, resorts and hotels to oil refineries and hospitals. Services provided include property strategy, building maintenance and operations, and management of space, energy and communications infrastructure. The region's first exhibition for facilities management, FM Expo, will be held June 4 through 6 at the Dubai World Trade Center.

UK-BIRMINGHAM

Mitie Is Second Largest In UK

Mitie has become the second-largest manned guarding company in the UK by acquiring Initial Security UK, a division of Rentokil Initial. Mitie paid 74.8 million pounds for Initial Security UK, which provides guarding, aviation security, patrol and alarm response services to government, commercial, industrial and retail clients at over 2,000 sites with 6,000 employees and which had a pretax profit of 4.5 million pounds in 2005.

UK-LONDON

New Blueprint for Improving The Cleaning Industry

A new report commissioned by the Cleaning & Support Services Association (CSSA) reveals exciting changes for the cleaning industry, while offering a blueprint for improving standards and best practices in the future. Recent findings have already highlighted the extent of transition currently occurring within the cleaning industry. Current demands include the growing number of clients employing cleaning and related support services, which are crying out for higher cleaning standards in a market where cleaning contractors are suffering from low profit margins. In response, the CSSA has been working to find a solution to this dilemma and has embarked on an ambitious plan to increase professionalism within the industry and raise its overall profile. To do this the CSSA engaged consultants to compare and contrast the pay

and benefits to employees in the cleaning industry with those of other service-related sectors. This work is ongoing but early findings were reported to members of the CSSA in February. The main findings of the research to date have highlighted that: 1-Average wage rates for cleaners range from £5.24 per hour in the provinces to £5.52 in inner London, 2-Other sectors, including security and retail, provided similar benefits to their employees as found in the cleaning industry, but also paid up to 25% more than the cleaning sector, 3-Primary workforce increases over the next 10 years in the UK will be among working women and older workers, but the ability to recruit them will be dependent on the attractiveness of the sector, 4-Average annual staff turnover in the field was over 35%, with some of the largest rates experienced by some of the highest wage earners, 5-Annual recruitment costs are typically less than 0.5% as a percentage of payroll, 6-60% of cleaning professionals are women, and approximately half are over 40 years old. Further independent research carried out by the CSSA into the UK's cleaning and support services industry found: 1-High competition in the sector and a client emphasis on price has resulted in pay and benefits levels behind other industry sectors, even though 90% of employers in the CSSA pay above the National Minimum Wage, 2-Labour is in short supply even for higher pay contracts. Migrant workers have helped to fill some vacancies but there was little evidence to support the view that this will continue as rates of immigration, especially from Eastern Europe, begin to decline, 3-Clients who have chosen to transfer to daytime cleaning have witnessed improvements in productivity and standards. This operating method provides more opportunities to pay living wages to cleaners. In addition the CSSA has engaged the Open University Business School to carry out research into the dynamics of the industry, identifying the key business drivers, the challenges to employers and the expectations of clients. The initial findings of this study concluded that clients recognize the resourcefulness and resilience of the contractor and ability to manage a challenging and changing workforce. But clients were also keen to receive proposals from employers for new ways of working together to improve standards through innovation. "With the Open University work and our own research as a foundation we plan to establish a series of best practices for employers in our sector, which with the support of our members, will make a real difference." said Martyn Vesey, Director General of the CSSA. In most industries employers themselves set standards for the delivery of quality products and their reputation for good value is built on maintaining these standards. In the cleaning industry reputation is often decided by the level of service that clients are willing to purchase, so in this respect we have been far too accepting of the status quo. Consequently, the CSSA is determined to explore other ways of establishing, delivering and maintaining quality for our clients." During 2005 trade union activity by the T&GWU focussed on the cleaning industry as part of a drive to improve the pay and conditions of employees in the sector. Their work has addressed pay and benefit issues arising from a

highly competitive, price-driven industry where the client plays a large part in determining wage levels for contractors' employees. Vesey continued, "While CSSA members identify with many of the union's aspirations and the common goals of achieving professionalism and productivity through better paid and motivated employees, we need to set delivery standards for our industry that our clients will recognise as good value."

UK-LONDON

Minimum Wage to rise again from October

In October 2006, the UK's adult minimum wage rate will be increased to £5.35, from the current rate of £5.05, the Development Rate will increase to £4.45 from £4.25 and the minimum wage for 16-17 year olds will rise to £3.30 from £3.00.

US-GEORGIA

Self Cleaning Toilets Replace Janitors

What normally took three full-time janitors will now require one part-time janitor as the Metropolitan Atlanta Rapid Transit Authority (MARTA) in Atlanta has installed self cleaning toilets, which retract into a wall, wash, disinfect and dry themselves automatically after each use. The floor is also automatically rinsed. MARTA, which spent \$1.1 million to install 12 toilets, will save up to \$75,000 a year in labor costs.

US-ILLINOIS

US May Privatize Airport Operations

A 1999 study by Richard De Neufville of the Massachusetts Institute of Technology found many airports are in private hands in most of the world's major cities, including London, Rome, Copenhagen and Frankfurt, but airports in the United States are behind on the trend, although some researchers are claiming that could change soon. According to Robert Poole Jr., Director of Transportation Studies at the Reason Public Policy Institute, airports are very commercial and are profitable. Airlines typically run their own check-in and baggage systems, with operations such as janitorial services and parking outsourced. Chicago

Mayor Richard Daley is considering leasing Midway Airport to a private operator, thereby making it the first major US city to privatize airport operations.

US-MINNESOTA

Marsden Expands Its Presence

Marsden Holding LLC has acquired four building maintenance firms as part of a 10-year plan to expand nationally. Marsden acquired Paradise Building Maintenance of Clairmont, Calif.; SCIOTO Building Services Corp. of Columbus, Ohio; Bishop Building Maintenance of Omaha, Neb.; and Caretakers Building Maintenance of Phoenix. The acquisitions total more than \$30 million in revenue. Marsden will employ 6,000 total as a result and no layoffs are expected.

CORPORATE MEMBER NEWS

Ecolab Inc. announced that James J. Howard, a director since 1991, has retired from the Ecolab Board of Directors under the Company's age 70 retirement policy for directors. Mr. Howard said "I have truly enjoyed my years of service on the Ecolab board, and I am proud of the terrific success Ecolab has achieved. Ecolab's future looks extremely bright. The Ecolab management team is strong, the strategies are sound, and I'm confident the focus on enhancing shareholder value will continue." As a result of Mr. Howard's retirement, the Board decreased its size from 13 to 12 directors.

UPCOMING EVENTS

16th Congress of the World Federation of Building Service Contractors

Seoul, Korea

October 16-19, 2006

Visit the WFBSC website at www.wfbsc.org and the website at www.kasmo.or.kr for more information.

BSCAI Annual Convention and Trade Show

Chicago, IL

April 13-17, 2007

Visit the BSCAI website at www.bscai.org for more information or call 703-359-7090.



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