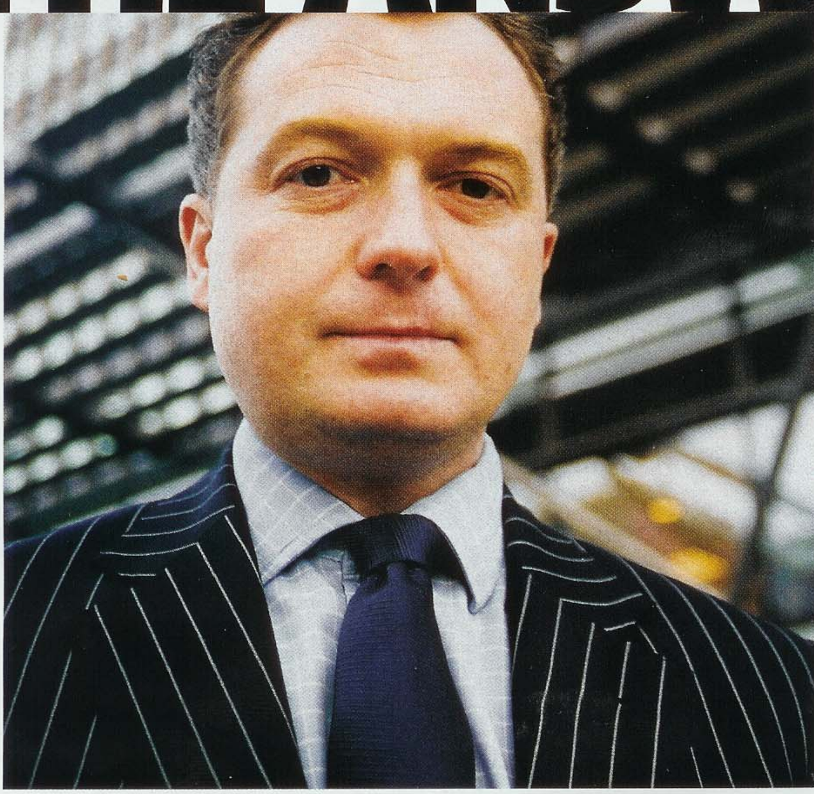
JAMIE HOPKINS WANTS TO TURN MAPELEY AROUND. IS BUYING DIRECT PROPERTY THE ANSWER?



The new chief executive of the outsourcing specialist is planning to join the mainstream investment market, he tells **Angela Monaghan**

IT HAS BEEN A ROCKY SIX MONTHS SINCE JAMIE HOPKINS took the helm of Mapeley.

There has been endless speculation that the company is to abandon its core business, as one of only two outsourcing specialists in the market, and branch out into direct property investment.

The organisation has seen the departure of deputy chairman Robin Priest and managing director Phillip Russell. Then to cap it all, Mapeley missed out on the sector's most eagerly contested contract since 2001, losing the £300m tender for insurance company Aviva's portfolio to Land Securities Trillium.

Now, Hopkins has decided to speak out for the first time, to *Property Week*, in an attempt to draw a line under the past and answer speculation about the future strategy of the company and its shareholders.

'We're absolutely 100% committed to the outsourcing market,' says Mapeley's chief executive. 'We are squarely in that marketplace. We always were and always will be. I want to remind people of the scale of the business.' Mapeley has 22m sq ft (2m sq m) of property under management, comprising the Inland Revenue and Abbey National portfolios, totalling around £1bn of assets.

Clear to all

Hopkins joined Mapeley as property director from Delancey Estates in 2001. Delancey is a shareholder in the company with Soros Real Estate and Fortress Real Estate.

'I have a very strong understanding of this business,' he says. 'I've seen it right the way through.' But not everyone has a clear understanding of the business: until now, management and shareholders have been silent after months of speculation about rows over strategy.

Hopkins now confirms: 'We will move into the direct property investment market, differentiating ourselves because of our capability already. We want to buy lots of buildings with a range of tenants, which will give us access to a wider client base for our services.'

He describes the new strategy as 'complementary' to Mapeley's 'core' outsourcing business. The argument is that the tenants within the investment properties it buys could become customers for Mapeley's facilities management services. Hopkins says: 'I come from a direct investment background, and I put money in because I believe in it.' Mapeley is planning to buy £250m–£300m of direct property by the end of the year, despite the fact that property yields continue to harden. It will invest in single assets as well as portfolios of properties in the UK, in the office, retail and industrial sectors.

Hopkins dismisses the persistent rumour that Mapeley shareholders are keen to sell their stakes. 'They are keen to invest and have just committed more capital,' he says. 'Their plan has always been to build a healthy business. This was never going to be a business that was built overnight.'

None of the Mapeley shareholders contacted by *Property Week* were available for comment.

The Inland Revenue and Abbey National contracts went 'live' in 2001, yet Mapeley has failed to win any further outsourcing contracts since then.

Indeed, the Revenue STEPS contract has been a source of unwelcome attention for the company. In June last year, the House of Commons Treasury Select Committee questioned Sir Nicholas Montagu, head of the Inland Revenue, over its handling of the deal and its selection of a company registered in the tax haven of Bermuda. While no one argued that Mapeley acted in any way illegally or deviated from normal business practice, the irony of a tax-evasion scheme orchestrated by the Inland Revenue was lost on few.

The negative publicity left many asking whether Mapeley could win subsequent public sector contracts. After all, which government department or local authority would risk the public retribution suffered by the Revenue and Customs and Excise?

Then in April, Mapeley lost out again to Trillium on the £300m outsourcing contract with insurance company Aviva, which trades as Norwich Union in the UK. While Hopkins plays down the failure, it was an important contract. 'We are a confident company and I'm keen that we worry about the deals we do and not the ones we don't,' he says. 'You just have to dust yourself down and go for the next one. If we can't win contracts on prices we're happy with, we're happy not to win them.'

There is no prize for coming second in a two-horse race, but at least Aviva said that Mapeley was a close and credible competitor in terms of price and deliverability.

Yet more strife was to follow from STEPS. In May, when government spending watchdog the National Audit Office published its report on the contract, it emerged that Mapeley had bid £550m less than competing bidder Trillium. The NAO's conclusion was clear: outsourcing contracts are good for the government. They save money and the Revenue was right to choose Mapeley, even if it bid for less than its great rival.

In the same month, Robin Priest, deputy chairman and the man widely perceived as the face of Mapeley, was made redundant. He believed that the company should not deviate from outsourcing and move from a two-player market into one with hundreds of bidders competing for deals. Two weeks later, managing director Phillip Russell left too.

Closed book

Hopkins believes the issues brought up by the select committee are now closed. He says that although the government scrutiny of STEPS 'obviously made people nervous', those fears have been allayed.

'The government has changed the rules now so that the offshore option has been closed down,' he says. In the future, by bidding through an onshore vehicle, Mapeley will have to charge the government more for outsourcing deals because its own tax bill will be higher.

He believes the low bid price was a strategy vindicated by the NAO report: '£550m is over 20 years. It's always about partnership and money over 20 years. We underwrote it as we wanted to, evaluated the risks, and we won the contract. It gave us the opportunity to build the platform for the business.'

'[The NAO report] gives me huge encouragement that there will be more deals. It showed us to be very good value for money, and it promoted more outsourcing.'

Public relations

Mapeley not only lost its public figurehead, but also the person responsible for generating new business. Hopkins says he will take on that role, representing Mapeley in the media, and securing new contracts.

Mapeley has already made it onto the shortlist of the two latest outsourcing contracts – the Driver and Vehicle Licensing Agency (DVLA) and Bradford City Council. He is keen to point out that Priest was not working alone, and that a business development team was already in place.

Hopkins is diplomatic about Priest's departure: 'The business is evolving, things have changed. The role of the deputy chairman became redundant. I can't really say more than that.'

He declares: 'I will be very much the face of Mapeley. We have a strong management team in place, but at the same time we'll be looking to strengthen that team.'

While he concedes there have been few outsourcing contracts for which to bid, and that future trends are unpredictable, he is 'very excited about the local authority market'.

He is also upbeat about the private sector, where in the past the market has associated outsourcing as a firefighting strategy for companies in financial crisis. The Aviva contract could change that: it is less about cost-cutting and cash generation, and more about long-term strategy.

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Hopkins is optimistic about its prospects: 'The Aviva deal opens the gates a little bit. A lot of the corporates still own a lot of property.'

The government's efficiency review, led by Sir Pet Gershon, and Sir Michael Lyons' review of public sector relocation both have implications for the future of Mapeley, which owns a huge swathe of government property within the STEPS contract, but as yet it is unclear what those are. Abbey has also undergone a significant change in its corporate culture since Mapeley's contract went live.

Hopkins believes Mapeley is in a good position to bid for the Bradford council and DVLA contracts: 'We're in every city centre and every market town and we see opportunities, we have a lot of contacts in these places,' he says.

With diversification into the direct investment market, Hopkins is no doubt hoping for a less eventful year ahead. ■