AMQ International

Strategic Asset Management

Issue 97, September 20, 2002

Introducing
The Virtual Asset Management Community
at

AMQ International's
"Emerging World of Asset Management"

a completely new and unique website just for you!

www.amqi.com

Why 'emerging'? Surely we have done asset management for a long time? True, we have! But it is really only now that there is a move to think about HOW we do it, and more especially, HOW we can do it BETTER. There is no set answer to this. New ideas are emerging all the time. Some are great, some however could prove a disaster.

The Virtual Asset Management Community Site is thus for thinking, for challenging, and for doing asset management better

The benefits for the communities that we are part of are immense - and so is the private satisfaction that we can gain by taking on what may seem to be insurmountable problems - and winning! But it helps if we can get support along the way, and have someone to boast to about our achievements who will understand what was involved.

The Virtual Asset Management Community Site is thus for sharing ideas and supporting each other.

Whatever your interest in asset management, you are welcome here! This site is for practical 'hands-on' people who are grappling with asset management problems as a daily endeavour, for engineers and technical people, accountants and financial people, urban and strategic planners. It is for those essential members of the asset management industry, service suppliers, consultants, contractors, IT designers and software producers. And it is for those who develop policy or regulate the industry as well as those who conduct and disseminate research. And it is for students - ultimately we are all students, and we all teach.

In the spirit of community - take what you need and give what you can.

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Ready for your "15 minutes of fame"?

Register your profile in our "Members Profiles" Networking Database - and then you can do your networking from your desk! It's Free!

We will be featuring interesting members on our Members Profiles page. So stand out from the crowd! Write something that shows something of your interests and personality, and you could be our featured member of the week. Register now at "Members Profiles" and you can then search the database, take part in the discussion forums, and have people find and contact you - increasing your professional network

And our first "Member of the Week" is

Dennis Cafe from New South Wales, Australia

Role: B - Consultant-Contractor-Service Provider
Company: Jeff Roorda and Associates
Asset: Assets Generally
Interests: General Management/ Organisation
Background: Engineering & Technical
Statement:
Passionate about the need for the protection of the lifestyle that we hand on to our children by the realistic and sustainable management of our essential infrastructure assets. There is no place for "self deception" if the real issues are to be faced and the hard decisions on the allocation of scarce resources taken!

WHAT CAN YOU USE THE DATABASE FOR?

Some examples:

- You are planning an interstate trip, who should you see while you are there? (Make email contact first)
- You have an overseas visitor and would like to invite others in your neighbourhood to meet with him, but want to find out who would be interested
- Have a problem and wonder who may have 'been there, done that'

AND WHO MIGHT YOU FIND THERE?

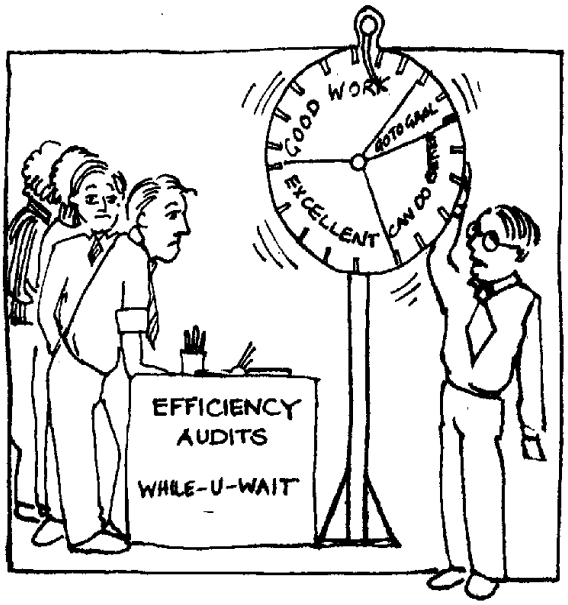
Well, in the last few days we have had

- *Dalton Stafford, from the City of Lethbridge, Canada*, interested in asset management for water, wastewater and stormwater systems;
- *Kaim Wong, Hong Kong Jockey Club*, currently engaged in establishing a facility management system
- *Jerry Handegan, United States Post Graduate Student* currently at a UK University, researching the implications of road/highways asset management.
- **HELP THE DATABASE TO GROW—REGISTER TODAY**

THE FUNNY SIDE OF AUDIT

Turn the page for the more serious stuff

It can often seem arbitrary



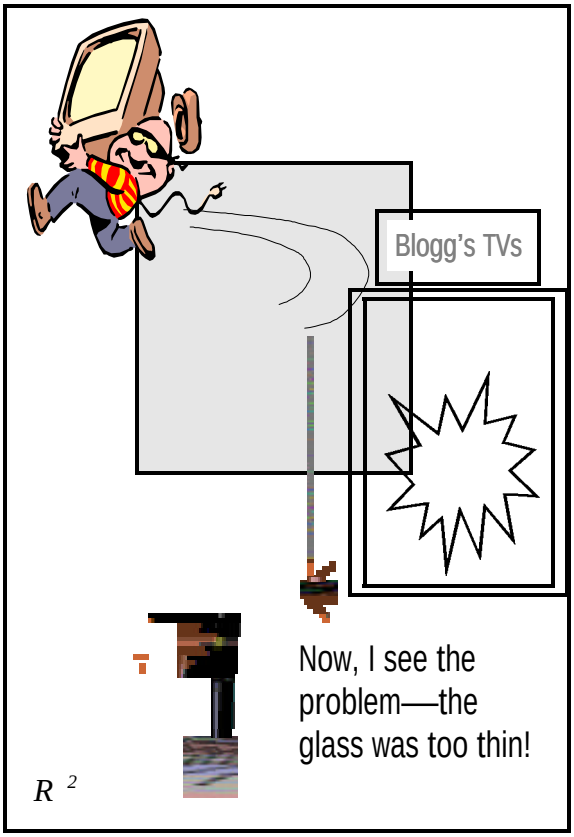
"... the arbitrary application of bureaucratic controls . . "

Audit Strikes Terror

As witness this poor fellow on the 53rd floor!

Which might explain desire to blame audit for the Enron collapse - revenge of millions of auditees?

But let's not forget the auditors only failed to reveal the problem—they did not cause the problem itself! (As Ron Riegel-Huth, a SAM reader, reminds us in the cartoon to the right)



So let's not be too quick to reject Audit!

Criticism is never fun, but there always lessons to be learnt from mistakes.

However, it can be more palatable to learn from the mistakes of others— which is why Audit reports are so useful. For a good one, turn over.

PERFORMANCE REPORTING : HOW TO DO IT BETTER

The aim of the NSW performance guidelines is to assist agencies to prepare annual reports that provide performance information that demonstrates accountability for the expenditure of public monies.

To do this, annual reports should:

- report objectives that are clear and measurable
- focus on results and outcomes
- discuss results against expectations
- be complete and informative
- explain changes over time
- provide evidence of value for money
- discuss risks, strategies and the external operating environment.

The NSW Audit Office has produced a set of 'better practice principles' that are

- Clear, easy to read and to understand
- Illustrated with 'better' practice examples and
- With examples of current practice that does not make it!

This is worth downloading. After reading it you will find yourself more attuned to what is good and what is not and you will be able to add to the examples already provided those specific to your asset management work. Consider the following excerpts and then select the entire report (only 30 pages including glossary and reading list)

Although there is much guidance material on preparing annual reports, the quality of published performance information in annual reports often falls short of what is considered good practice.

Agencies tend to focus on reporting activities rather than outcomes and achievements. Few annual reports discuss setbacks and failures or compare performance to goals, targets and benchmarks.

Principle 1.
SPECIFYING MEASURABLE OBJECTIVES

Objectives need to be measurable. It is not possible for a reader of an annual report to determine what the agency intended to achieve, if the objectives are ambiguous or stated in very general terms.

Good Practice Example:

EXPLAINING THE SIGNIFICANCE OF AGENCY OBJECTIVES

In the 1998-99 annual report of the Department of Fair Trading three corporate objectives are identified. For each objective the Department discusses the significance of the objective, what the Department aims to achieve and the main activities that it undertakes related to that objective. For example: Objective 1: Appropriate safeguards for consumers with minimal restrictions on business and traders This is one of two core objectives which flow from our strategic intent of having NSW recognised for fairness and value in the marketplace. Within our areas of responsibility for consumer goods and services, accommodation and property services and home building, we develop and maintain the policy and legislative framework which provides the setting for many consumer and trader interactions in NSW. The aim is to ensure the framework creates a balance between the interests of consumers and traders.

On Outcomes, outputs and inputs

Actual outcomes are the Results or impacts actually Achieved.

Outputs are the goods and Services produced by agencies On behalf of government For external organisations Or individuals. Outputs Can never be outcomes.

Inputs are the human, physical And financial resources Used and the time required To produce outputs.

The audit found In most cases it was not Possible to judge from Information provided in annual Reports the extent to which Agencies met their goals and Objectives. Most agencies Continue to report only Activities and outputs, not Results and outcomes.

On stating objectives through research and publications.

Good Practice Example:
REPORTING ON OBJECTIVES

The 1998-99 annual report of the NSW Police Service reports a key objective as to reduce crime. Results are reported in terms of performance against the following categories:

- assault
- break and enter
- motor vehicle theft
- robbery
- other stealing.

This objective is clear and measurable. Readers would be able to judge the success or otherwise of the NSW Police Service in reducing crime rates.

Principle 2
REPORTING OUTCOMES

Reporting outcomes enables readers to judge the effectiveness of the agency.
Therefore in annual reports, agencies should:
. report results and outcomes not just activities and outputs
. relate outcomes directly to objectives
. express outcomes in terms of impacts on the community
. relate outcomes to goals and targets.

Good Practice Example:
CLEAR IDENTIFICATION OF INPUTS, OUTPUTS AND OUTCOMES

In the front of its 1998-99 annual report the NSW Department of Sport and Recreation provides readers with a performance summary for the year.

- The Department identifies in the summary inputs, outputs and outcomes, and relates these to its primary objective of increasing the level of community participation in sport and regular physical activity.
- Outcome measures are participation rate for NSW as a whole, participation rate for each program and participation rate by demographic group.
- To assist readers to determine whether the participation rate is increasing or decreasing, the Department provides four-year trend data to support comparisons.

OUTCOMES ARE RESULTS OR
The manner in which some agencies described objectives rendered them very difficult if not impossible to measure.
The following objectives are examples where the agency would find it difficult to measure and report results:

- Council, boards and committees operate successfully
- strong relationship with other organisations and individuals are developed and maintained
- provide strong leadership through excellence in our own activities and through research and publications

MINIMISING LIFE CYCLE COSTS:

Expect More of Your Designer!

(A non-checklist Checklist)

What is the first rule of Checklists?

Avoid Checklists!
Avoid the simple 'tick the box' yes/no answers that do not promote positive thought.

Instead, Ask Open Ended Questions.
These are questions that require a sentence (at least) in response. For example, "show how you have…." or "Explain the techniques you have used to ……"

Designers can work wonders—but they have to be asked!

If you want your building design to incorporate features that reduce your overall life cycle costs, you need to tell your designer. I have prepared the following as a suggestion for a new book "Quality Management in Architecture" edited by Charles Nelson, to be released next year.

If you have a set of guidelines that you already issue to your designers, I would be happy to see it. If you don't, why not adapt this to suit your needs? (e.g. you might want to add certain elements like designing to prevent criminal activity or promote personal safety.)

Background:

Design impacts not only the costs of construction but also the costs of maintenance, systems operations and disposal, user productivity, and, increasingly in today's world of social and environmental consciousness, the costs of dealing with official and community watchdogs and public opinion. Attention to the following in terms of both design and choice of materials will minimise the overall costs for owner and users.

It is important to determine how long is the building designed to last and whether it is likely that functional requirements will change in this time. Moreover, If it is likely that re-sale value will be enhanced by ability to adapt to new uses, then appropriate design can substantially reduce the costs of adapting to new uses.

Life cycle cost savings, once identified, need to be tracked.

Show how your design has achieved the following life cycle cost minimisation objectives

Reducing construction cost, for example by

- Using locally sourced materials
- Minimising use of imported materials
- Choosing construction techniques that can be managed locally
- Designing so as to avoid conflict between different trades

Require Contributions. It is helpful to explain your questions by way of examples, but ensure that there are a number of blank lines left at the bottom so that it is clear that you expect your designers to contribute something of their own, in addition to responding to the examples. **—>**

Get the right designer.

Before you choose your designer you may wish to get them to complete a survey such as this for a previous design of theirs**.**

Reducing maintenance cost, for example by

- Taking adequate measures within the design of key building elements
  - to make them readily accessible for regular cleaning, maintenance, and repair.
  - to provide dedicated and generous space for regular cleaning, maintenance, and repair to the central or major elements of the HVAC system.
  - To ensure that access points are readily identified and locatable
  - To ensure that the skills required are within the competency of available labour supply.
- Designing so as to minimise the extent of 'cut-in and detailing' in paintwork.
- Choosing minimum maintenance materials

Reducing renewal costs, for example by

- Adopting an appropriate process during the design stage to characterise service life requirements and relating material and component choices to such requirements.
- Protecting materials from destructive elements such as sun, temperature variations, rain or wind, or migration of moisture-laden air through defects in the envelope. Best practice measures for envelope detailing may include:
  - Minimising premature deterioration of the walls and roof by specific measures appropriate to the region such as shading screens, eaves, overhangs, etc.
  - Use of surface materials appropriate to exterior conditions
  - Use of rain-screen design principles in joints of wall surfaces

Reducing energy use (and thus energy costs which are a large component of the life cycle costs of a building) for example by

- Using maximum possible low embodied energy insulation but with good ventilation.
- Using low energy lighting and electrical appliances.
- Using efficient low pollution heating.
- Making use of passive and active solar energy wherever feasible.
- Using passive and natural ventilation systems rather than mechanical.

Reducing user costs, for example by

- Providing high building mass to prolong ambient temperatures in the event of power outages, temporary disruption in fuel supplies, or abnormal exterior temperatures.
- Isolating critical sections of the building or systems from damage that may occur from flooding or storm damage.

For specific life cycle cost reduction measures that designers identify, especially those that require up front costs

- require them to calculate and demonstrate the life cycle savings
- and then track the life cycle costs over time!
- This will enable feedback for your next building design

Some useful references:

Durham County Council Information Service. Asset Management. **www.durham.gov.uk**

The Environmental Performance Guide for Buildings **http://asset.gov.com.au/environmentguide/**

- Providing redundancy in systems such as back-up power, lighting, or ventilation systems in excess of minimum regulatory requirements, where appropriate
- Providing easy-to-understand and easy-to-use building control systems for occupants and building operators.

Reducing costs of adaptation, for example by

- Designing building structure and enclosure, for ease of adaptation to suit new building functions. Specific design issues include attention given to the:
  - Absence of frequent changes of floor level.
  - Compatibility of the column spacing with standard dimensions of other interior finishes components
  - Ensuring that the column dimensions are not disproportionately large, and that column features such as drop panels do not limit potential interior layouts or services.
  - Complexity of the floor-plate shape and irregular column spacing does not limit the typical "useable" floor area.
  - Placement of shear walls, utility walls and fire separations acknowledges and provides for changing occupant uses.
  - Provision for expandable reception areas for changing occupant services and traffic volumes
- Designing building so that adapting to a new fuel source or renewable energy technology will require only minor adjustments to architectural, HVAC, or electrical systems
- Designing HVAC and communications systems for ease of removal, relocation, or addition for changes in operation. The design should ensure
  - It does not limit physical location or size of rooms;
  - It provides sufficient conditioning capacity for foreseeable occupancy needs
  - it is sufficiently diversified to accommodate operable windows;
  - flow of air is not affected by relocation of screens, walls or furniture;
  - adjustments and upgrades can be performed during fit-out or re-fit for a low cost;
  - it can respond and effectively condition local spaces with little

Reducing disposal cost, for example by

- Planning safe, efficient, disposal mechanisms, particularly for high rise buildings

Our case study series will resume next issue, with some of the key issues discovered in the first series of council visits