

Issue 104, December 27th, 2002



Clear the decks, a new year is coming!

What have you missed?

Annotated Highlights

In this issue we present an annotated 'highlights' of 2002 as seen in the pages of "Strategic Asset Management" - so scan this issue to see what you may have missed and would like to catch up on, before we move into 2003

Plus A Complete Subject Index for 2002

What is the AM Game about?

Great Data + Great Practice = Great Asset Management. Right? *Wrong!*

It also takes

**Great Communication &
Great Decision Making**

Do all this and **Resources** will take care of themselves.

This 'Highlights' issue is arranged by these 5 major topics

- Data
- Practice/Organisation
- Communication
- Decision Making/ Understanding
- Resources.

*Happy New Year to you all
Penny (Editor)*

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Data

Data Integrity

Collecting data is one thing; maintaining it is something else again. A reader, and one who has won prizes for his asset systems, wrote in a disillusioned vein this year to say that *because* data maintenance was so tedious, senior people avoided it; *because* juniors were used, more of his management time was needed to check the quality of the inputs; *because* senior management had little appreciation of the need for data maintenance, he got no recognition for his time spent in checking and so he had decided to give up on data maintenance! [SAM Issue 83, pp 241-247](#)

How important is your data? Who thinks so?

Other correspondents on this issue replied in 'oughts' and 'shoulds' but no amount of moralising will get the job done unless the issues of tedium, the time consuming nature of quality checking and, especially, recognition of the worth of the data are dealt with.

Will your data last as long as your assets?

Once you have determined what information you need to retain and regularly update – you need to ask yourself about the form of that information – “will your data last as long as your asset?” This is the question we asked in [SAM Issue 99, pp 376-376](#). The number of connections between the data and use points increases longevity; it also increases reliability.

Knowledge requirements for AIS

[SAM Issue 99, p373, 380](#) introduced the notion of cultural and organisational structure knowledge requirements for asset information systems and the web serialisation of Norm Eason's "Maintenance and Asset Management Information Systems" which is currently available to all members of the Virtual Asset Management Community. (Are you a member? If not, why not? It's free. It's easy. It's useful.)

Data for strategic decision making

Some of the elements that need closer examination are – are you collecting the data you really need? In [SAM Issue 88, pp 281-286](#) we looked at the question of what data is needed for 'strategic' as opposed to 'operational' decision-making, and illustrated this with an example drawn from consideration of whether to renew or replace an existing parking station. What was discovered was that most of the data required for strategic decisions is not the information retained in the AIS. This is a good indication of why senior management do not see the AIS as important or relevant to them. Clearly if operation AIS are to be sustained, closer links need to be drawn to business decision making but this does not mean collecting *more* information, it may not even mean collecting *different* information. It will, however, mean, making more or different *use* of the information already at hand.

Practices/Organisation

There has been a lot of interest this year in re-structuring to improve asset management, especially to deal with such issues as 'silos' and information flow in general.

Contracting

There is a wide range of possible structural approaches and we dealt with a number of these including alliance contracting and types of performance measures to put in place for contracts, in "Building maintenance frameworks: which is right for you?" in [SAM Issue 93, pp 321-327](#).

Staying on track despite 'emergencies'

Do 'emergencies' throw you off course? Does senior management react to such emergencies in a 'knee-jerk' fashion, reducing your well thought out strategies to rubble? [In SAM Issue 94, pp329-331](#), we addressed this issue with some tactical suggestions.

Performance reporting

As "transparency" and "accountability" become the buzzwords of the day, performance reporting is becoming more important. In [SAM Issue 97, pp 360-361](#), we reproduced some basic guidelines on performance reporting from the NSW Audit Office, that are clear, easy to read and to understand and illustrated with good practice examples.

Life cycle cost 'open ended question' checklist for designers

Also in [SAM Issue 97, pp 362-364](#), is a checklist for designers and architects to help focus attention on the life cycle cost issues of new buildings and other assets. Unlike most checklists which are 'closed', ie require a simple yes or no answer that requires no thought, this designer check list is structured to require answers that have content. Check it out!

Outsourcing, a refresher course

After a period of relative quietness, the issue of privatisation and outsourcing is again on the agenda. We thought it was timely to provide a refresher course on the criteria to be applied. This is a straight forward, no-nonsense, summary of the key issues to be thought about when outsourcing, so don't get caught in an ideological vacuum – think your way through what outsourcing will do for your service delivery outcomes. See [SAM Issue 98 pp 367-368](#)

Asset management success – British Waterways case study

And to wind up the year- a great success story! How British Waterways, the manager of a network of 200 year plus canals and associated infrastructure, transformed itself from being virtually written off as redundant, out-dated and irrelevant to being a major contributor to the rural and regional re-generation of Britain, creating attractive places to live, work and socialise – all through good asset management. See how it has created public goodwill through a strong and determined focus on outcomes rather than inputs, and how it has now taken that goodwill and leveraged it, in partnerships with the private sector, to provide even higher levels of service. See [SAM Issue 102, pp 397-406](#)

Communication

There are three key areas of communication if asset management is to succeed in improving outcomes and the quality of life in general

- *to the board (or key decision makers, eg council)*
- *to the community (including clients, customers)*
- *between staff members (both within and outside the asset management team)*

I would add that, if asset managers are to see themselves as professionals, then there is one other

- *between members of the profession.*

How did SAM tackle the communication issues this year?

Communication with the board/decision makers

The issues of legal liability and litigation in general have loomed large this year. Managers are only too aware that this is going to get worse. So are politicians and key decision makers. At the key strategic levels outsourcing, contracting out, or privatisation is being pursued largely to transfer risk to the contractor or private sector. Does this work? What are the problems., and how do we communicate these to decision makers? This is such a big problem that two issues were devoted to it this year, [SAM Issue 91, pp 305-312](#), which looked at a number of high level strategic risks that have not been discussed anywhere near enough. [SAM Issue 92, pp 313-320](#) continued the story, illustrating it with the demise of one of the most highly publicised (and high praised at the time!) privatisation contracts – the Latrobe Hospital.

Communication with the Community

[SAM Issue 90's case study, pp 297-301](#) presented an innovative 'best practice' example in community consultation from Boroondara Council. In this study, the Council, recognising the limitations of seeking informative comment on complex asset management issues from a community not versed in the issues, set about to provide the information needed for community judgement. It did this, not by 'telling' but by involving a representative sample of the community in an extended learning and contribution exercise. The results are impressive – excellent feedback and many new champions for the council and asset management.

Between staff members

It came as a surprise to me this year to discover that while asset managers *speak* about asset 'life cycles', they can frequently *act* as if they did not exist! Thus, many road bodies act as if a constant amount of funding is needed over the life of a road, despite the fact that roads, indeed whole road portfolios, clearly follow a cyclical deterioration profile. It is not surprising that elected members and key decision makers fail to provide for life cycle renewal when the staff advising them act as if the cycles do not exist. And if technical staff are unable to communicate the cyclical nature of asset renewal – then policy, planning and finance staff are unable to provide the necessary matching of revenues and expenditure requirements. This is a key issue and it was discussed in [SAM Issue 96 pp345-348](#). The difficulties of adopting a stationary state notion for assets with cyclical profiles was detailed in [SAM Issue 89, pp289-290 and 292-294](#)

And for communication between asset managers as professionals – SAM created the “Virtual Asset Management Community” at www.amqi.com

Understanding and Decision Making

If there is good data and good practices AND good communication, then we should see increasing understanding by key decision makers and thus better decision making. The quality of decision-making is thus a direct outcome of good asset management.

Investment Decision Making

[SAM's centenary issue, Issue 100](#), fell on November 1st, the day which I had been asked to address a conference of Local Government Councillors and Senior Management. The objective of the address was to remove some of the mystique surrounding infrastructure investment decisions that are frequently presented as highly technical. Issue 100 asks the question "Ten years from now will you look back on your asset management decision and rue the day?" and presents ten key questions to ask (and have answered) before deciding on any new acquisition (or, indeed, on any renewal!) All of the questions are strategic, not technical and attention to them can save much grief.

Managing Projects

Once the acquisition decision has been made, how do you know when the project is on track and when it is going off the rails – in time to do something about it? This was the issue addressed in [SAM 101 pp 392](#)

Ongoing Asset Costs

If acquiring assets requires greater understanding so does sustaining the assets once acquired. The financial records provide a guide to the average annual cost of asset consumption in the depreciation figures recorded in the balance sheet but these are so often ignored, believed to be mistaken, or treated as myths created by accountants. Nothing could be farther from the truth. Depreciation figures won't tell you when to renew your assets but it will tell you how much renewal will cost. Get behind some of the misunderstanding by reading [SAM 101 "Depreciation –don't ignore it!" pp 394396](#). [SAM Issue 84 "Infrastructure Depreciation – an alternative to straight line"](#) is also worth a look if you missed it first time around.

There are ALWAYS Options

The key point of management is that there are always options – if there weren't, it wouldn't be management, it would be administration! Learning to look for the options – and to foresee their consequences, is a key part of the understanding that is necessary for good decision making. See [SAM Issue 101, p.393](#)

Communication and Understanding are closely related

And so are the SAM articles listed under communications, issues such as risk (where it comes from, what you can do about it, when you just have to accept it, etc.).

With good asset management data, practices, communication and understanding

The Resources Take Care of Themselves

Funding

“Should you borrow to fund renewal?” was the title of one article in Issue 99 and it has provoked a series of posts on the discussion forums – so if you haven’t done so, catch up on the original ([SAM Issue 99, p.374](#)) and then read the discussion on the forums.

Cost Shifting

Cost shifting is coming from many different directions – from higher levels of government to lower levels, from same level agencies who seek to solve their problems by shifting rather than dealing with the problem, and from the community, who used to be prepared to do for themselves what they now want done for them. Good planning and communication is needed to deal with cost shifting. [SAM Issue 98, p.366](#)

Seeing AM as an investment – with a short payback period.

Asset management does require upfront costs, but the payback period is not necessarily the long periods of time we have hitherto thought. See [SAM 87, pp 273-280](#)

Don’t rely on a narrow revenue base – widen the options

A great example of innovations in revenue raising is British Waterways, the subject of our major case study [SAM Issue 102](#). Each of the services it provides contributes in some way to the revenue base. It gains revenue from navigation (boat licences and mooring fees), from telecommunications (wayleave fees for the 400 miles of fibre optic cabling under its towpaths); property development (where it enters into genuine PPPs with private sector to generate both social development and economic sustainability, and tourism. For many years it has sold bulk water from the canal system but now it is going further in another PPP to provide treated water of desired quality to the many companies and developers along its waterways. Around a third of its revenues come from the public for the restoration of waterways. Curiously, as they become less dependent on the Government for funding, it seems that the Government is more willing to fund them – everyone likes to be with a winner! There are lessons in this for us all.

And on the same theme of widening options – but driven to it by desperation because of past poor planning, rather than being able to drive the development of options as in the BW case – is the Golden Gate Bridge which we discussed in our last issue, [SAM Issue 103](#), where the Bridge Authority has been ‘reduced’ to putting donation boxes on the bridge to help fund its growing maintenance bill.

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