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AMQ International

# Strategic Asset Management

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## Time to tell the World!

When I introduced the idea of asset management to the South Australian Construction Industry Council early in 1987, the then Minister for Construction got very excited and earnestly urged me to "tell everyone what you have just told us"! He instinctively saw the necessity to gain community support.

Trouble is, most of us only talk to each other! At conferences, and in our written work, we speak to the already committed and to the professionals. Rarely do we speak to the general layperson.

### Taking the AM Message to the Streets

In this respect it is interesting to note that when the United Nations introduces a new community development program, such as 'waste management' or 'water management', it first informs the public, not the technicians. It tells the average 'man in the street', what is wrong and how it needs to be fixed so that they will apply the power of the people to ensure that their representatives do the right thing.

My colleagues, K.C. Leong, Ami Sudjiman and Ashay Prabhu, and I have been working on a UN pamphlet for the public on "Asset Management for Improving the Quality of Life". While it is focussed on the problems particularly affecting developing countries, the messages are the same messages needed in developed countries.

### How can you use these messages?

- In everyday conversation with neighbours and the community
- In articles for the local press, and/or 'letters to the Editor'
- In talks to community groups
- When writing communiqués for your CEO, Chairman or Councillors
- In releasing information about your agency's activities
- On your website
- As an information sheet with water bills, electricity bills, etc

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## 1. *The first task is to create awareness of the problem*

### **SOMETHING IS TERRIBLY WRONG WITH OUR MANAGEMENT OF PUBLIC ASSETS ...**

#### ***We have a lack of* ACCOUNTABILITY**

Good governance requires accountability for service and the assets that provide them, whether publicly provided or privatised. Where service is poor, eg low water pressures or intermittent outages, someone must be held responsible to make things right : the contractor, the developer, or a government agency.

#### **RESPONSIBILITY**

Good management requires responsibility for assets and their planning. Vandalism and pilfering costs money and reduces the quality of services. Recently a prison in KL under redevelopment was unable to open because the prison bars had been stolen for their waste metal content! Assets are built, then demolished because they are found to be in the wrong place. Waste!

#### **UNDERSTANDING**

Few agencies have good asset inventory registers, recording what public assets they are responsible for, their condition and their current value. This results in poor maintenance and lower service. It also makes it easy for things to be stolen and for poor decisions to be made.

#### **MAINTENANCE**

Assets need ongoing maintenance and management. All around us we see evidence that this is not being done. e.g. a jogging track was built around a lake now overgrown with lalang. Waste! A city council found that 80% of their garbage trucks are constantly broken down resulting poor garbage collections. Waste ! Frustrations! Assets are built with public funds and they must provide the public services for which they are constructed; but, unless the assets are properly and regularly maintained, quality of service will decline. Public frustrations!

#### **PROFESSIONALISM**

All design, construction, maintenance personnel need to develop a greater degree of asset management professionalism. This is necessary to avoid instances such as the award winning business/residential development centre that failed to provide for garbage disposal for tenants. Landslides are unfortunately common. Largely this is because of poor design and construction, wrong use of cut and fill – and lack of maintenance! Public developers planning for assets must work closely with professionals and uphold professionalism – they must consider the social, economic and environmental impacts.

#### **REGULATION & CONTROL**

Where regulations exist, they need to be enforced. Asset management is best 'built in' but controls are also necessary. For example, bypassing sewage treatment and discharging directly into drains, with all its attendant problems, is common.

#### **COMMUNICATION**

Good governance requires good communication. Expensive new assets such as roadways, which can unbalance environmental health, need to be discussed with the community. Providing unwanted, unnecessary assets reduces community benefits

## FUNDING

Councils are being exhorted to maintain their assets, but no funds are provided or set aside for this purpose. Poor decisions are made because planning activities are not funded. Governments need to know how much their new and beautiful assets will cost to remain looking new and beautiful.

## ACTION

If we don't know what needs doing, we can't do it. Asset management training, understanding and knowledge is required by governments, design, construction and maintenance professionals, and the general community. This needs to be backed up by a national policy for asset management for good governance.

## *2. The next step is to create a vision, a picture of good asset management*

### OUR PUBLIC ASSETS DO NOT HAVE TO BE SO BAD. WE ALL DESERVE BETTER...

"Better" doesn't necessarily mean 'more'.  
With good planning, maintenance and management, existing assets can provide much better service

#### Good Public Transport

Well maintained buses don't break down, are reliable, arrive on time and are comfortable. They go where people want to go and, because they last longer, are cheaper to run.

#### Good Waste Management

Collections are regular and treatment is effective because the equipment is well maintained. A good fit between capacity and demand, together with good planning, ensures a good service at lowest cost.

#### Good Water Supply

Water pressures are good and supply is not interrupted when pipes are correctly sized, built well and maintained well. Water quality is good and saves the taxpayers from unnecessary spending on commercial bottled drinking water.

#### Good Power Supply

Responsible maintenance and management of power stations, transmission, distribution lines and transformer stations, minimise breakages and outages.

#### Good Telecommunication

Good telecommunication networking to serve the nation, ensuring the national is well connected with reliable, efficient and cost effective services, to ensure its systems optimisation in order to meet the ever increasing demands of the multi-media systems, to ensure the nation is globally well connected at all times.

**Good Schools, Hospitals**

Clean, airy, safe and attractive buildings with the right equipment that is looked after and works well provides support to our teachers and our doctors and nurses and better services for the community.

**Good Parks, Gardens**

Safe walking and jogging tracks, through beautiful gardens are a joy to the community but not when they are neglected, or over-run with weeds, with broken seats and other park furniture and pavements full of pot-holes.

**Good Public Buildings**

We have many new and beautiful public buildings but also many that are neglected, where services are failing, cracks appearing, paintwork peeling, ceiling tiles falling – and some of these are not very old! Without good maintenance and management our new buildings will become like these and be a source of pride no longer, but a source of public shame – worse still, they will become a public liability posing problems of health and safety to the citizens.

### *3. Awareness and Vision is followed up by Understanding*

#### ASSET MANAGEMENT FOR BEGINNERS....

**FREE ASSETS**

There is no such thing as a 'free asset', not even one that is given to you or bought with grant funding. ALL assets require money to be spent on them every year for cleaning, power, maintenance, repairs, renewal, and security. If this money is not spent, the asset degrades, does not function well and, eventually, does not function at all. Thus...

**ACQUIRE CAREFULLY**

Don't acquire more assets than you can afford to maintain. Each asset has a certain 'lifespan' – it is shorter if not well managed, and longer if it is. But eventually it will need replacing or renewing. The costs of this renewal must be taken into account, along with maintenance, cleaning, etc, to know what size asset stock we can afford to own.

**SERVICES FIRST**

The role of assets is to provide a service. Assets don't have to be large or expensive to provide good service. Some mega projects are almost never the answer. They are mostly about ego, and not about service.

**KNOW YOUR ASSETS**

Knowing what you own and its condition is critical to good asset management. Communities that do not record their assets, cannot keep track of them, or know when to maintain or renew them. They are also more subject to loss. We must have a proper Asset Inventory Register and which must be updated regularly and scrutinised constantly.

**MATCHING NEEDS**

A good asset manager matches asset capacity and needs, neither too little which provides poor service, or too much, which adds unnecessarily to costs.

**THINK LOCAL**

Design with local construction and maintenance skills in mind. Use local materials wherever possible. Avoid 'ego trips'

**THINK FORWARD**

Assets last a long time, what will be the need in say 10 years time? Or 20 years or even 50 years time? Some assets can pose serious and adverse impact on the future generations, especially with respect to our environment. Sound the alarm now so that we can see how to reduce the future social costs in order to maintain our nation's well being.

**THINK BEFORE ACTING**

Is it necessary to acquire a new asset or can the existing asset do more? Asset management is about getting the maximum service out of a given asset for as long as possible.

**CONSULT COMMUNITY**

Proper consultation is not 'being told'; it means being listened to, given an opportunity to say what the community wants and discussing with suppliers the options, and the costs.

***4. After Understanding comes Action— Action by the Community!***

**MANY WAYS TO MAKE THINGS BETTER....**

**REQUIRE ACCOUNTABILITY**

Assets are used to provide services. Someone needs to be accountable to the community for the quality of those services. 'Buck passing' is not good enough.

**DEMAND RESPONSIBILITY**

Every asset should be some one person's responsibility. That person should be accountable to his senior for the asset's condition and its ability to provide service at the required level without disruption

**DEVELOP PROFESSIONALISM**

Professionals need to take pride in designing for ongoing service, constructing to make maintenance easier, and maintaining assets well. Recognition needs to be given for good work. Designers, constructors and maintainers need to see themselves as part of an 'asset management community' where peer acknowledgement is important. Decision makers must safe-guard professionalism and not let personal ego get in the way.

## **INSTITUTE TRAINING**

Asset management is a skill and requires training. Conditions surrounding the assets can change, asset management skills need upgrading. The problem of staff change-over must be resolved with new training.

## **EXERCISE CONTROL**

Asset management is best 'built in' (preferably at the design and construction stages). This is easier to achieve if there are sound and well-known standards that must be adhered to, thus there is a role for regulation and control.

## **MEGA PROJECTS**

Mega Projects require extra care. For new and existing mega projects, a substantial and detailed asset management plan looking at the design, construction, maintenance, growth, changes in technology and community need into the future, is essential. Unless we can maintain them with adequate skills and funds, mega projects are best avoided.

## **SWITCH FUNDING**

More needs to be spent on existing assets and less on new ones. By depriving existing assets of funding to afford new assets, the community acquires one new asset but loses the services of many existing ones as they fall into disrepair and dis-use. This is the major lesson learnt by the developed countries where such switching is now being seriously scrutinised and new assets are being avoided to maximise existing asset value for the communities.

## ***5 Selling the AM Message requires Clearing Away the Misconceptions***

### **NEW Vs EXISTING STOCK. SHOULD WE KEEP ACQUIRING NEW ASSETS WHILE NEGLECTING EXISTING ASSETS?**

Economists tell us that at the peak of a developing country's infrastructure and urban development surge, the national stock of physical asset's value can grow to 6-8% annually. Once it is stabilised, the annual growth will slow down to 2-3%. But asset management experts also tell us that even in developed countries they mostly only take care of new stocks, which amounts to merely 2% of the national stock while neglecting the 98% existing assets accumulated through the years and decades. Are we penny-wise but pound-foolish?

### **WILL ASSETS LAST FOREVER? CAN ASSETS PERFORM QUALITY SERVICE DELIVERY FOREVER?**

Some assets such as road, dams, railways are there forever until we dispose them off. Although they appear to last forever, the quality of their service delivery will decline over time. There are incidents when they are in such bad condition they have to be abandoned and demolished as they are no longer economical to operate or they may be posing a danger to the public. However, if these assets are properly maintained and management with proper planning and management, they can not only last forever, but continue to provide quality services as expected of them.

## WHY MUST ASSETS BE MANAGED IN LIFE-CYCLES?

When assets are new the costs of maintaining them and keeping them up to date are low, but as they get older they need more care and attention. The needs change throughout the asset's life cycle. Knowing the right time and the right amount to spend is the work of asset management..

## DOES MORE ASSETS MEAN GOOD? OR BIGGER THE BETTER?

Good asset management is about choosing the right assets to meet the community's needs. It is about keeping the costs down and the services up by spending the right amount on maintenance and upgrading at the right time. It is about knowing what is wanted and making sure that it is there when it is needed. The technologies of asset management ensure transparent and honest reporting, accountability and responsibility. They encourage sound planning and financial prudence.

## HOW DO ASSETS AFFECT THE CITIZENS' QUALITY OF LIFE?

Assets can enrich us – or they can impoverish us. Where they provide services that are highly valued by the community and do so at a reasonable cost then the assets are a good thing. But where money is spent on assets that provide services that are not really needed, or are so expensive that they limit opportunities for other things, then communities suffer.

## HOW WILL GOOD ASSET MANAGEMENT HELP US ATTAIN GOOD GOVERNANCE OBJECTIVES?

Roads, bridges, power and water, parks, schools, hospitals, prisons and public buildings are the means of providing basic services. They affect how we work, how we learn, how we live and how we play. They determine whether we will be competitive on global markets, and whether we will grow or decline. If they don't work as they should, we all suffer.

### **6. *Examples of Good Practice are Provided***

(You will recognise the first two of these as past winners of the International Asset Management Competitions and the last one as our recent case study on British Waterways. Any of our case studies can be used as exemplars to help your AM cause.)

## COMMUNITY GROUPS HAVE MADE A DIFFERENCE

### **Greater Water Security**

A rural community in Australia was concerned about the reliability of its water supply during long dry spells. Working with the water asset managers, the community improved water reliability, changed operational practices, repaired leaks in the system, reduced demand by introducing a user pays water charging system, installed equipment to re-use water, and worked together to contain demand when water shortages occurred. By working together, and understanding the asset requirements, the community has saved millions of dollars by being able to defer, for a very long time, an expansion of the water system.

### Higher levels of service

In New Zealand, a council adopted as its goal “the provision of services to the community to defined standards at least cost through the management of assets in a way which is sustainable in the long term and which complies with regulatory requirements.” For each service it supplied it wrote down why the activity was undertaken, how the service was to be provided, what service level the customer could expect, how the council would respond to requests, how the council would measure its performance in delivering this service and how much the service costs (both the net operating and capital costs). It then examined all of the services to see where improvements could be made. The result was higher standards of service to customers, higher community satisfaction, increased effectiveness and greater service security.

### Community Benefits

20 years ago the canals in England (which are mostly over 200 years old) were under-maintained and under-funded. This was a great concern to the community because failure of the canal assets could cause considerable damage to property with potential loss of life. At the time, relatively little was known about the assets and what condition they were in and accidents were common. The canal managers decided to adopt sound asset management principles – they set about learning about the condition of their assets and they prioritised repairs and maintenance to improve safety. Now decades of decline has been turned around. Today the canals have been restored and regenerated through good management and planning and the successful vibrant waterways have improved people’s lives, created jobs, provided recreation in attractive surroundings and protected nationally important wildlife and heritage structures.

## YOUR COMMUNITY CAN MAKE A DIFFERENCE

### Volunteer

Community groups in Australia and New Zealand working to maintain parks and gardens, to serve in clubs and societies maintaining ovals and play equipment have greatly increased community amenities

### Get Informed

Find out what is being done - and why,

### Don't be misled

Analyse carefully what you are told. Use community pressure to ensure sound decisions are made – and like the Australian community with its water problem, you will get better service at less cost.

### Don't be passive

Be part of community consultation,

### Be observant

If you see public assets being mistreated or neglected, speak up!

### REMEMBER:

**Together we can change things for the better!**

### *Selling Your Asset Management Message*

I would be pleased to hear what you are doing to sell the AM message. You can tell me on [editor@amqi.com](mailto:editor@amqi.com) or put your ideas in our forums at [www.amqi.com/forums](http://www.amqi.com/forums)