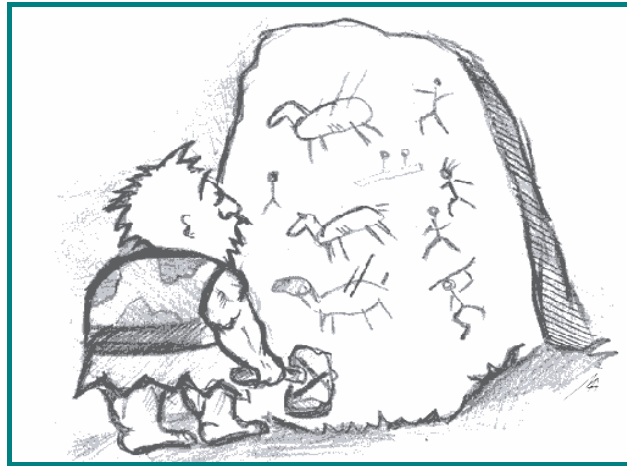


Issue 135, March 5, 2004



Communications is about Connecting

- It is not what you say – but what is **heard!**
- It is not what you write – but what is **read!**
- *But it is not really even what is read – but, rather, what makes a connection between your mind and the mind of the audience.*

This is a special issue of SAM – it marks the tenth anniversary of my newsletter for policy makers, researchers and practitioners in asset management. The first issue came out in March 1994.

To celebrate, I decided to look back over things that I have written. Which things 'worked' and which didn't? Not everything I write 'hits the spot' but each of these did. They 'made a difference'. What more could any writer wish? (*Except to find out why—and then do it again!*)

Penny Burns

(The above cartoon is from a Russian internet site. I don't speak Russian—but they have found a way to connect with me!)

*Researched and written by Dr Penny Burns, AMQ International.
Published fortnightly. Subscription, Comment, or Inquiries to*

AMQ International
PO Box 75 Salisbury South Australia
Tel 618 8281 5795
Email: sam@amqi.com Website: www.amqi.com

The Excerpts in this Issue

Why they worked

- The writing style is unexpected, either for the subject or for the audience, *so it attracts attention*
- The writing avoids bureaucratic jargon; if a technical term is used, it is usually defined in simple language straight away. *So it is easy to read.*
- Whilst I wouldn't define the pieces as humorous, they take a lighthearted approach *to make serious points more acceptable.*

1. First, get their attention!

The first example here was written many years ago when I was Treasurer of the Student Representative Council at the Adelaide University. Whenever I had to speak on matters financial the shutters came down! (*Jude Monroe, tells me that she had the same experience talking about asset management to councilors when she was CEO of the Adelaide City Council*). When it came time to write the annual financial report for the student newspaper, I knew that I had to do something to get it read. Well, it worked! I had students coming up to me on campus, thanking me for making it possible for them to read their 'first ever' financial report!

2. Make it easy to read

When I first started giving addresses I can remember writing 'the printed version' (formal, almost academic), 'the speaking version', the 'executive summary' (for senior management) and, after being approached a number of times by the ABC, the '30 second media bite' (times change, nowadays you would be looking at a 10 second media bite!) In fact, I had to produce an entire kit! Looking back, I wonder how I managed all the addresses that I did under those circumstances. Eventually, I collapsed the whole thing into one – 'the speaking version'; this was the simplest of all, and very easy to read. (*In these busy times, others have gone further, no words, just a Power Point presentation!*)

The second example in this issue is from a paper that I delivered to the Municipal Association of Tasmania (as it then was) in 1989. When the written paper was issued after the conference, a copy was given to the newly elected Minister for Construction and Resources & Energy and to the Premier. A week or so later I can remember being astounded to hear the new Premier, Michael Field, quoting entire slabs of the paper (as his own words!) on one of the morning television news programs. Subsequently, and on the strength of this paper alone, I was invited to be the Premier's economic advisor and I was also asked to be advisor to the Minister for Construction. I chose the latter and it was, perhaps, the most interesting job I have ever held (out of many, very interesting jobs).

3. Show biz motto: Make 'em laugh (or at least grin)

The third example is an excerpt from a short playscript that I wrote about a year or so later in response to my Minister's request for an explanation of 'source of value'. I had given him a short oral tutorial on the subject and he was bright and understood, but still I could see that it didn't quite meet his need. He said that a number of them (i.e. his colleagues, other cabinet ministers) had been mulling over this topic and that intrigued me. What, I asked myself, could the pretty dry topics of 'the source of value' and 'value added' have to offer not just one politician but a whole group of them? After 4-5 days of thinking about this, I struck upon the idea that underlies this example. As my Minister promptly ordered copies for all of his cabinet colleagues, I think I must have got it about right!

Example One: Get their Attention!

"It's all figures!" cried Alice, disappointed. "I don't understand figures!"

"Nobody should", said the March Hare, "High Finance is to be worshipped, not questioned".



This is an excerpt from the Treasurer's Report to the Students Representative Council (accompanied in the original by a copy of the statement of receipts and payments, an income and expenditure statement and a copy of the General Account, but no Alice picture)

The dormouse raised himself slowly on his elbows and looked gloomily into the spout of the teapot. "What's spent is spent", he pronounced and fell instantly asleep again.

"Really", thought Alice, "They are no help at all". She turned to leave but the Mad Hatter had quite a soft spot for young girls, "Sit down, I'll explain", he said.

"The Union" and he assumed an intellectual air, "collects the student's statutory fee, about \$140,000 this year plus a small profit on the Refectory, and out of this it pays for the upkeep of the Union Hall and Union rooms, makes grants to the Health Service and pays out for capital items like the extension of the refectories and improvements to the George Murray basement area. So large, in fact, are these capital items this year (estimated at \$56,000 as against \$11,160 last year that the Union has gone into deficit."

"Into what?" asked Alice.

"A deficit – it means that they are spending more than they are getting" interrupted the March Hare patronizingly. "Why should they do that?" asked Alice.

"Well", said the Mad Hatter, "the capital improvements benefit students for many years to come and it is unfair that all the burden should fall on this year's enrolment. "Yes, I guess so", said Alice.

"Now the Student Representative Council and the Sports Association submit their estimates of what they think they will earn and what they would like to spend and why and they are granted money from the Union"

"Some of the money they haven't got?" queried Alice but the Mad Hatter ignored her.

"The SRC received \$21,420 this year", he said and paused momentarily. Alice was impressed. What on earth can the SRC find to do with all that money?" she asked. "None of your business" interjected the March Hare testily.

The Mad Hatter continued: "Well, this year about 17% will go in direct assistance to clubs and societies, including travel subsidies. These subsidies were introduced this year for the first time at the rate of 2 half second class return rail fares for each club sending representatives to national conventions. Next year it is planned to vastly increase these allowances and negotiations are already underway with the Union. 8% is set aside for the provision of Union Meetings in which the clubs also take a hand."

"So that clubs and societies can get almost a quarter of all the Union Grant to the SRC?" said Alice to herself.

"About 20% goes in administration, and don't forget the SRC provides typing services free of charge to the clubs. Another 20% pays its dues to the National Union of Australian University Students. And then, of course, the SRC subsidises the publication of "On Dit" to the extent of about a shilling a copy, takes a loss on the diary, publishes the Adelaide University Magazine and the Orientation Handbook, subsidises Freshers' Camps, makes loans and grants to students going on University overseas trips, entertains visiting student delegations and..." here he was completely out of breath!... "organizes and pays for things like Prosh and the Recoup and Commemoration Balls, Work Camps, Loans to Societies, Appeal Days, Donations to worthy causes and any special projects."

"It's an awfully long list" said Alice, looking at it doubtfully.

"Well, and so it should be! It's a measure of what the SRC is doing.

... and so it continues for another few column inches.

Note: The figures may not seem very large nowadays but they were then! When I wrote out a cheque for \$24,000 to charity at the end of the annual student's charity collection, every member of the executive begged to be the co-signer. No one had put their name to such a size cheque before and could not imagine doing so in the future either! What a difference time makes!

And just for fun, this is what I looked like at the time!



Example 2: Make it easy to read

(This is a transcript of a May 1989 presentation to the Municipal Association of Tasmania. It is an excerpt but the whole paper was not that terribly much longer. Actually, one of the shortest papers I have written.)

Making Asset Management a “Win-Win” Game

“When I was in Brisbane last week there was an article in the Brisbane Courier Mail (May 15, 1989, p.2) that caught my attention. It read as follows:

“Lismore City Council is about to start tearing up bitumen roads that it cannot afford to fix. The Town Clerk, Mr Byron Stevens, said the roads would revert to gravel because the council did not have the funds to rebuild bitumen roads. “It hasn’t started yet, but we’re looking squarely at it”, he said.

The City Engineer, Mr Bill Moorhouse, said: “Council has been told this week that they are going to have to do it. All up it could involve around 20% of our road network.”

The Queensland Local Government Association secretary, Mr Greg Hoffman, said he was not aware of any councils in Queensland opting to tear up roads. “But if it hasn’t happened, it’s not far off”, he said.”

As I read this I couldn’t help wondering whether this was a genuine statement of intent or a threat designed to guarantee more funding. So I read on, and sure enough, the next paragraph stated:

“Earlier, the Federal National Party Leader, Mr Charles Blunt, told an Australian Roads Federation meeting in Brisbane that local governments around the country were being forced to replace bitumen with gravel. “There is a reluctance on the part of the Hawke Labour Government to address issues of real significance, such as road funding.” Mr Blunt said”

The article caught my eye, partly because it was about the problems of our ageing infrastructure, partly because it had particular reference to local government, but mainly because it emphasizes the particularly one-sided solutions that are often being presented to infrastructure issues. All problems, it suggests, can be solved by throwing more money at them.

Unfortunately, that is just it! They can’t! Some problems can be solved that way, but only at the expense of others. We may be able to throw more money at roads, but what of our sewers, our ageing water pipes, our un-maintained schools, etc?

A blunt message

Today, I want to speak to you about looking at the other side of the coin. Not the issue of funding, i.e. the getting of money, but rather the issue of spending what we have – and spending it more wisely.

[referring to win-win and win-lose games, I said] ... Unless we consciously think and plan for overall gains, it is only too easy for sections of the community to put up schemes which benefit a few at the expense of the many. ... [I then showed the results of the study carried out by the South Australian Public Accounts Committee that showed the amount of replacement falling due for assets in that state. I showed how replacement was increasing.] ... So not only are we going to have the problem of overall funding but we are also going to have to face up to the fact that some may have to be cut back in order to provide for the more urgent needs of others.

All of the other States that I have spoken to have seen the parallels with their asset replacement and increasing maintenance, and not surprisingly! The major cause of the problem we are not jointly facing is that our major increase in assets occurred at the same time, i.e. during the 1950s and 1960s, and our asset lives are very similar. So if you think that you can hold your hands out to Canberra, just remember that there are others with their hands out too! And, of course, Canberra has similar problems of its own with its extensive infrastructure assets in defence, civil aviation, etc.

Emotion or Benefits?

Road funding and road maintenance seem to generate a lot of emotion from the RAA and others but in the end it should all come down to – are the benefits we get worth the costs we have to pay to get them?

Sometimes decision-makers can be blinded by the arguments of those who wish to benefit from the construction of new roads or other infrastructure. For example, it is often argued that constructing more infrastructure creates more jobs. *More than what?* Spending the same amount on maintenance would create more employment because more of the money is spent locally rather than on imports.

Another argument you see is that new roads (or other infrastructure) creates 'ripple effects'. For example, it may be argued that when a new highway is developed this makes possible the establishment of new subdivisions with new industries, service centres, etc. The key word here is "makes possible". If there is a demand for new subdivisions and lack of a road is the only bottleneck holding it up, then there is some sense in this argument. But if this is not the case, then you can simply end up with an expensive road going essentially nowhere!

Nor should we confuse "ripple effects" with "multiplier effects". The latter occurs whenever money is spent – on the new infrastructure or on whatever the money would have been spent on if left in the pockets of the community or on other government goods and services. ...

The real reason for building infrastructure should be the lifetime benefits that accrue, and we should only build when these exceed the lifetime costs. And this is just as true if the Federal Government is funding it, or it is funded by joint venture, or if you are finding the money yourselves.

Negative Sum Games

Too many are trying to play negative sum games. That is, getting a little more for themselves at the expense of greater losses for the community at large. This is particularly true of claims on the Federal Government. Federal monies are often seen as manna from heaven. But federal monies don't just fall from the skies. They come from our taxes – they are our monies, so we should be careful not to waste them!"

I was very surprised by the reaction that this paper generated. At dinner that night everyone was talking about it and for many years afterwards when I was introduced to a new councilor or senior management person, they would say "Oh, you're the person who gave us that address on asset management!" On looking back, I would have to say that it was the right message for the time. It was 1989. The state was on the brink of bankruptcy. Good management was at a premium.

The next example was written about a year later, when I was working for the Tasmanian Government.. I would like to have included a piece from a cabinet submission of the time that I wrote, simply because it began with the words "Tasmania is in diabolicals because..." The Minister was so taken with it, he refused to let the bureaucrats change a word. I don't really care for slang so that now, with distance, I have sympathy for them, but at the time, I wanted to ensure that amongst all of the submissions received, THIS ONE would be read. And it was! However cabinet submissions are necessarily confidential, so you will just have to trust me on this one..

Example Three— Show Biz: Make 'em laugh (or at least grin)



This is my favourite of the lot, written late 1990—it shows how many messages can be presented and understood if the writing is not too serious. And the messages still apply today. I gave myself a free hand in the creation of the Ministerial portfolios but my Minister had the choice bits! You may want to try your hand in your organisation in “creating value by subtraction”.

The Source of Value – (and the fragrance free soap!)

A few cabinet ministers were gathered around the bar when the discussion turned towards who had the senior cabinet portfolio. The economy being in such dire straits at the time, it was decided amongst them that the senior portfolio would have to be the one that contributed most value. Thus began the search for the source of value. What was it that was the prime well spring for all value, that element which was both necessary and sufficient?

The Minister for Labour led off. “It is clear”, he said, “that anything of value has a labour input. Manufacturing, agricultural, mining output, all services, everything has a labour input. Labour would have to be the well spring for value”. (He had impeccable academic support in Karl Marx.)

“Not so”, said the Minister for Resources, “for what could be produced without raw materials? A worked out mine produces no output no matter how much labour is applied. Without raw materials to apply their labour to, there would be no manufactured, agricultural, or mining output at all. It is clear”, he said, “that everything starts from the basic raw material.” (He too, could call on good academic support.)

“Wait on”, said the Minister for Education, “labour and materials may be very tangible, but we are well aware that labour is of no value if it is unemployed, and raw materials locked away in inaccessible mines or in heritage areas do not generate value, so I...”

But before he could continue, the Minister for the Environment was stung to say that trees in heritage areas were indeed a source of value, perhaps the most valuable of all, since if we continued to destroy our forests there would come a time when climatic changes would bring life as we know it to an end.

“Be that as it may”, resumed the Minister for Education, “but without knowledge, nothing that any of you have mentioned so far would be possible. It is knowledge that enables us to put together labour and materials in a way that generates useable goods and services, knowledge that will enable us, God willing, to avoid the catastrophe of the greenhouse effect. And while I am on the subject, those cuts to my education budget...”

But the Treasurer was not going to let him get started on that. “Money”, he pronounced severely, “is the key. It oils the wheels of commerce and government, it is not only essential to all production and value, but it is even the *measure* of value. Which is clearly why I have the senior portfolio.”.

Heads nodded; their recent budget experience told them that this must be true. Only the Minister for Parks was unimpressed. “And when you have sold off all the good agricultural land for money, what will you eat – money? And when you have sold off the land with beautiful views, what will you look at – piles of money?”

This impressive outburst was not original with the Minister, she had heard it on the radio that morning in a talk by a Commissioner for the Future. Nevertheless, the impassioned presentation and the ideas caused the others to pause in their deliberations.

"I agree", said the Minister advising the Premier on the Status of Women, "We have been taking far too narrow a view of value. For example, it may not be traded in the market, but the work performed by women in the home and for charity is of great value. Our current measures of value are really a nonsense. Do you realise that a man who marries his housekeeper causes the national product to decline! Perhaps we should outlaw marriage in the interests of the national product? What we trade and what we measure" she said, looking severely at the Treasurer, "is not the same as what we value".

"Quite the reverse, sometimes", mused the Minister for Transport, thoughtfully. "I mean, a rail disaster may cause a lot of business for the local hospital which serves to increase the recorded national product – but you could hardly say it increased our value!"

"You know, you're right", said the Minister for Agriculture, "I have noticed that our input-output multipliers go up whenever there is a drought because we have to hand feed all the stock. We make no distinctions between costs and benefits. If we counted things like rail disasters and droughts as 'bads' and hospital services and drought relief services as 'goods' we would get a more balanced picture. But we don't, we only look at one side of the picture."

"Well", said the Minister for Resources, "if only traded goods are recorded in the GDP, then it isn't much use as a measure of value. And if we include outputs which are not good in themselves but only offset bad things (which we don't record), it seems to me we are kidding ourselves if we think that increasing GDP means increasing value. In fact, the reverse may very well be true. *Maybe less can be more!* If we are looking to which portfolio increases real value – and not just measured GDP – perhaps we should look at who has the potential to increase value *BY SUBTRACTION!*

"Gee, mate, that's getting a bit philosophical", protested the Minister for Labour.

"Not really", said the Minister for Trade and Industry, who had been recently doing some homework on marketing. "Do you know that if you sell soap with perfume in it, you get about 50 cents a bar, but you can more than three times as much if you take the perfume out! Mind you, you have to do a bit of marketing. But 'fragrance free' soaps seem to have more to offer than those with fragrances attached.

"De-regulation!" shouted the Treasurer. "Exactly!" responded the Minister for Trade and Industry. "And also micro-economic reform --- these are both cases where by taking away things that are not valued in themselves we not only save money (to spend on things that are valued) but we actively increase community benefits – increasing value by subtraction."

"That's it" agreed the Minister for Resources, "Once we get away from the idea that all value has to be in traded goods and that all value has to be 'added', we can go hunting for 'fragrance free soaps'."

"Like removing restrictive work practices", suggested the Minister for Labour. "Like removing council restrictions on granny flats", said the Minister for Housing. "Like removing bureaucratic controls when the market can do a better distribution job, said the Minister for Administrative Services.

... By this time, all of the Ministers joined in the hunt for fragrance free soaps, for ways to provide more with less. And, in the process, they forgot their original objective. Now the objective was to provide more genuine community value – with less cost and less competition between portfolios. ■