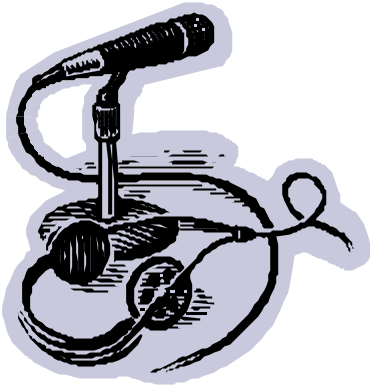


Issue 154 November 26, 2004



Asset Management in the Media

"Asset Management is no longer a tool for *efficiently engineering* our environment, but rather a tool for *effectively managing* our engineered environment".

Duncan Rose, GHD (USA)

1. Year of the Built Environment, 2004

Where do we go next?

pp 823—826

Examples of what was done as a 'once off' and what could be done on an ongoing basis.

2. The Capital Spending Debate

It's worth spending time getting the facts

pp.827 -830

Over the past few weeks there have been some subtle, and some not so subtle, messages coming out in the press arguing for more borrowing for infrastructure. How sound are these arguments?

Warning:

You may find this issue controversial. If the mood takes you, do fire off a broadside to the Editor at info@amqi.com

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Year of the Built Environment 2004

Where do we go next?

A marriage ceremony is a great occasion, an opportunity for everyone to celebrate the potential of a new marriage – but the actual events of the ceremony, the dressing up, the photos, the ceremony itself, the dinner, the dancing – these bear very little resemblance to the actual work of married life. And so it is with Celebratory Years.

This year has been “The Year of the Built Environment”. We have celebrated with design competitions and awards, exhibitions, speeches – in other words lots of dressing up, photos and ceremonies – but little has been shown or discussed concerning the actual work of ensuring that the built environment is appropriate, affordable, adaptable, *maintainable*; in other words little about the ‘married life’ of our built environment.

As we approach the end of 2004 perhaps it is time to ask the question “What has been achieved?” and “Where to now?” What can we do to capitalise on community awareness of the built environment?

What has been achieved? To a large extent the YBE events were designed for practitioners to celebrate their achievements in the built environment rather than for the community at large. However there was one :

“Burton School Project - "Building a Community"”

Burton Primary School has initiated a project for budding builders. “Building a Community” is a collaboration between the school, AV Jennings (builders), the City of Salisbury (Local Govt) and Waterwatch.

Twice a term, the budding developers – in hard hats and safety vents and armed with digital cameras and recording equipment travel to the northern suburbs development of Springbank Waters to their outdoor classroom which is a new residential development area.

Year 6 & 7 students are learning first hand how a community of nearly 400 housing blocks is planned, prepared, landscaped and built. They study how roads are designed, built and named, how land is released for sale, how houses are designed and built, and the installation of services such as water, sewer, stormwater, electrical, telephone and gas. They have also monitored the construction of the wetlands from the outset, conducted flora and fauna studies, collected data and water samples and planted indigenous plants.

From the YBE 2004 website

And, of course, this

Wagner Ring Cycle – a YBE event!

The abridged story line is as follows:

Wealthy client commissions builders (giants in workers’ overalls) to work on private home (Valhalla). When the job is completed the client breaches conditions of contract and refuses to pay the builder the contracted amount. This leads to dispute and violence (no arbitration) and eventually to demolition of the building!

From the YBE 2004 website

What messages do we want to send?

The Built Environment Should Work Hand-in-Hand with the Natural Environment

This is also a message that can be addressed to youth, as we can see from the example of the **Devonport City Council** . You can find this example and others at their website

<http://cms.dcc.tas.gov.au/Internet/Environment/Youth/BuiltEnvironment.htm>

Infrastructure

As our cities and towns grow we build infrastructure to help us preserve our natural environment and make everyday life more convenient. For example, we have sewerage systems to take sewage (that's waste matter like what we flush down the toilet or wash down the sink) from our buildings to our sewerage treatment facilities. You've probably guessed by now that the word "infrastructure" has something to do with "structures". Well, our community's infrastructure is actually the basic services and facilities that our city needs to function. Things like roads, electricity power lines, drinking water networks, bridges and communication systems are a few examples of these.

Asset Management

It's the job of organisations like Council to manage and look after the infrastructure of our city for the citizens who use it. Because there's so much infrastructure in a town or city it's useful to break it up into smaller units to understand it better. We call these smaller units "assets". (Think of an asset as a thing that is useful.)

The Devonport City Council keeps a register or computer listing of all the assets it has to maintain. To find out more about Asset Management click [here](#). Enough of the theory! Let's get in and have a look at some real assets.

The images below are pictures of the same type of asset in different places around Devonport. You often see these in the kerb and channel or "gutter" on the edge of our city's roads. Most people call this type of asset a "drain". Technical people usually call them "pits".



See if you can answer the following 2 questions:
(Out of the choices given click on the one you think is correct.)

- 1.What are drains like the ones in the picture for?
- 2.What happens to things if they go down these drains?



Possible Answers

1.The drain is like a bin to collect all the rubbish (eg leaves and rocks) off the road. Things stay in the drain until the street cleaning truck comes to vacuum them up.

2.The drain is an air vent to keep the road cool as it gets hot because it is black in colour. If things go down the drain they stay there until someone comes to clean it out.

3.The drain lets bad smelling air out of the pipes that take waste matter (sewage) away from the houses. If things go down the drain they go with the waste matter to the sewage treatment plant where they are collected by filters there.

4.The drain takes surface water like rain and tap water (eg when you wash the car on the driveway) away so it doesn't flood the street. When things such as water and rubbish go down the drain they flow to waterways like rivers and the sea.

5. The drain is a barrier to stop bikes riding in the gutter. If things go down the drain they go through pipes to the tip.

More Asset Management Messages A Manifesto for Strong, Sustainable Communities?

Our asset management actions today should be such as to:

Strengthen our communities through such things as

- Taking into account cultural and social needs of communities as well as economic needs;
- Incorporating ideas of women, children, unemployed and other marginal groups in society;
- Increasing the control of communities over their own futures;

We should not

- Impose on communities, assets or asset practices designed for others in other places
- Usurp the right of communities to make decisions for themselves
- Encourage rural movement to congested, polluted, cities by a failure to provide for the needs of the country or by an excessive short term focus on what is economically efficient
- Assume we know what is needed – until we have checked with stakeholders
- Build assets for the benefit of suppliers rather than users

Provide a better world for our children through

- Choosing assets that are capable of being maintained by the skills and resources that will be available in the world that our children will inherit;
- Encouraging decision practices that focus on leaving options open rather than closing them off

We should not

- Burden our children with debt by failure to 'pay our own way' today

Protect the health of the planet by

- Actively working to change pollution-creating construction and maintenance practices;
- Seeking to reduce the extent of our impact on the environment, to recycle, to create a 'closed loop';

We should not

- Seek to shift the onus of responsibility onto others or to evade our own responsibilities

What messages would you like to send to the community and to your fellow professionals in the built environment? info@amqi.com

The Capital Spending Debate

Spending on Public Infrastructure Needs to be “Informed”

Who better than Asset Managers, who manage asset data, to contribute to this debate?

In the last few weeks the papers have carried many articles about public infrastructure spending. Calls for attending to the maintenance and renewal of existing infrastructure are confused with arguments for more spending on new infrastructure with issues of who is the best to carry out the works, the public or the private sector.

I have looked in vain for informed analysis coming from asset managers; even an insightful letter to the editor would have been much welcomed, but no: we say nothing. And, yes, I am also guilty of neglect!

In our individual capacities, we seem powerless to make a difference. But these issues are too important to us not to address; and if we who have the knowledge don't use it, then what?

Here are just a few articles taken from “The Australian” over the past few weeks. The first is a sensible and balanced approach from Alan Woods, Economics Editor. His is a plea not to emotionally react to current irritations but to ‘get the facts’.

Unfortunately, his message has not been absorbed by his colleague, Mike Steketee, National Affairs Editor, who uses language calculated to inflame the emotions rather than create reasoned consideration. We need to be careful of statements by so-called ‘experts’ and ask ourselves always “what’s in it for them?” Cynical perhaps, but necessary. And when statements are made such as that money has been wasted because it has not been spent on infrastructure but “*To fund large pay increases for public sector employees*” we know that we are being manipulated and should be on our guard.

“Britain today is characterised by strong journalists and weak politicians”

(Douglas Hurd, quoted in the Evening Standard)

And not only Britain!

Have a look at the following series of articles that appeared in The Australian about a week ago

It's worth spending time to find facts

Alan Wood, Economics editor

November 13, 2004

"It is not hard to convince Sydney rail commuters waiting for trains, or Queenslanders or South Australians facing power failures, or patients everywhere trying to get a hospital bed that Australia has an infrastructure crisis.

There are obviously important areas of the economic and social infrastructure that are ageing or inadequate, and unable to meet the increased demands placed on them. And there has been bad management of the infrastructure by both the public and private sectors.

The lack of cost-benefit analysis means a significant amount of the money spent on infrastructure has been wasted. And demographic and other changes mean that existing infrastructure, such as hospitals and schools, may be badly located, with some areas over-provided for while others are under-serviced. **But establishing whether there is in fact a critical shortage of national infrastructure is impossible to achieve with any degree of accuracy.**

Australia has had this debate before, a decade or so ago, and some of the points made then remain relevant today.

For example, in the 1994-94 federal budget papers, Treasury argued that the declining trend in public investment as a share of the national economy, which had been going on since the 1960s, was not, on its own, convincing evidence of inadequate investment in infrastructure.

There are all sorts of factors, including the lumpy and long-lived nature of some infrastructure, the changing efficiency with which infrastructure is used, and the changes in demand and pricing, that have to be taken into account. There has also been widespread privatisation of government enterprises and other moves that have shifted infrastructure spending off the public balance sheets and into the profitable private sector.

There may be a case for a national review of infrastructure provision and demand, but there is a danger that the current debate will run off the rails if some myths being spread by those with a vested interest in seeing more spent on infrastructure are let go unchallenged.

It is simply wrong to say a fetish with budget surpluses has stopped the states borrowing for infrastructure. They do, both in their general government sector and even more so in the government businesses sector.

While some state governments have been a bit willing in their take from public utilities, it is also wrong to say that taking dividends has slashed their spending on maintenance and asset replacement. Dividends are usually taken after funds are put aside for this purpose. And most state budgets show substantial infrastructure spending in recent years.

But the states have used their revenue bonanza to spend up big on higher public sector wages for nurses, police officers, train drivers and the like. In itself, that's fine. The problem is that the states have not got any productivity return for this public sector wage generosity.

If we are going to have a national debate, let it proceed from an informed inquiry by, say, the Productivity Commission and not be driven by the vested interests of construction companies, property developers, merchant bankers, engineers or the National Party.

(Editorial emphasis added)

Editor: In contrast to the measured tone of the Alan Wood article, this article by Mike Steketee is more representative of the coloured language used to influence emotion rather than provide information for reasoned reflection that is, unfortunately, all too common in our press today.

It is worth looking at the 'tricks of the trade' being used here so as to immunise yourself from the effects of such coloured writing when you come across it. You will no doubt see even more!

This is an excerpt from Mike Steketee's article.

Tax boom wasted by the states

Mike Steketee, National affairs editor

November 13, 2004

CAPITAL spending by governments on hospitals, schools, railways and electricity has sunk to record lows, **despite strong economic growth producing soaring revenues from stamp duties and the GST.** *(Ed: but see next article on how sustainable this growth in revenues is likely to be!)*

The fall, revealed in Australian Bureau of Statistics figures released yesterday, **means Australians will have to cope with substandard infrastructure for years before services improve.** *(Ed: this is an assumption on the part of the author but could be read as a 'fact' since it is linked with a 'fact' from the ABS.)*

The states are using the money to reduce debt but also to fund large pay increases for public sector employees.

The jump in nurses' and teachers' salaries alone will cost NSW taxpayers an estimated \$50 million this financial year, as the Government **offered significantly more generous pay rises than other states.** And the Carr Government also faces turmoil **as railway workers demand a 25 per cent pay rise.** *(Ed: by linking the ambit claim of the railway workers the impression is given that the demands of both are exorbitant.)*

Even though state governments and their trading enterprises have started responding to crises in transport and electricity by spending more on maintenance and replacing crumbling equipment, **capital spending is still falling as a share of the total economy.** *(Ed: Each time we add on an asset, it adds to the capital spending in that year, but it adds to the recurrent spending every year, this has a large impact on the falling share as we shall see in the next issue of SAM.)*

Experts warn it will take years to reverse the neglect of infrastructure. *(Ed: the 'experts' and the report's commissioners are the Australian Council for Infrastructure Development whose members make their living through infrastructure development—what else would you expect them to say?)*

"It may get a little worse before it gets better because there are some quite lengthy lead times required," Australian Council for Infrastructure Development chief executive Dennis O'Neill told The Weekend Australian.

A report commissioned by the council estimates \$24.8 billion is needed for roads, rail, water, gas and electricity just to make up for infrastructure deficiencies to adequately meet present demand.

The new ABS figures show capital spending by all levels of government -- federal, state and local -- falling from 5.2 per cent of gross state product in NSW in 1994 to 3.7 per cent in the middle of this year. ...

(The article goes on to argue that Governments are so fixated on debt reduction that they are not taking out enough debt. An issue which merits another article along the same lines as this only two days later.)

Capital Spending Decisions Made Today will be Paid for by Future Generations

They are the ones who will pay the interest and repayment on the loans, and the operating, maintenance, cleaning, lighting, security, etc costs on the assets that we create today.

Are we creating a better world for our children or a world of increasing impoverishment.?

The following was printed in *The Australian* on Nov 15th and bears some thinking about.

Access director Chris Richards ... said current economic growth was very strong, as were profits.

"You have got to expect that to fall away over times," he told ABC radio.

"Second, we have had these marvellous capital gains in housing prices and on the basis of that, capital gains tax revenues have risen ...

"However, that too will peter out over the next couple of years and we won't see these similar, very strong gains in capital gains taxes."

Mr Richards said that most importantly, the fall in unemployment to the lowest level since 1977 had generated substantial extra revenue for the government.

He said the unemployment rate would not fall too much further.

"The ratio of the employed to total population has probably peaked," he said.

"As the baby boomers retire in numbers, the strength of current revenues will start to fall away more notably."

Mr Richards goes on to say that although the long term trends are in the forecasts and intergenerational report, they are not picked up in the budgets...

"It [the budget] takes a fairly mechanistic forecasting method of basically assuming the economy remains on auto-pilot. It therefore doesn't pick up those trends, either whether they are boosting revenues or hurting them."

Editor: I predict that as the economic growth slows there will be a tendency to argue that we should borrow to fund infrastructure (not necessarily infrastructure renewal, just any infrastructure spending) simply to boost current incomes. It won't be argued that way, of course. It will be claimed that it is for future benefit. That is where Alan Woods' call becomes critical. **First let us get the facts!**