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Coming Up in 2006 (and a review of 2005)

Over the last few issues you may have noticed that we have been adopting a slightly different format with new features.

In 2006 you can expect

- **More international coverage** as asset management is taken up and developed in interesting ways around the world (see inside "The Contributors Panel")
- **More linked follow up**, fuller articles from the 'idea' and 'leading practice' condensations in SAM will, wherever possible, be made available on the amqi.com website and accessible with a simple click from the online SAM version for ease of access. We also seek to link the articles to related information.
- **Four New Features**
 - **Worth Noting**
 - **What's the Big Idea?**
 - **The Back Page**
 "Past and Current AM Practice", and

"Do You See What I see?" – understanding how others see AM issues.

More on these changes inside

Also in this issue, a round-up of the key issues of 2005 and a full contents list for all 2005 issues.

The next issue
Jan 9th 2006

We are now in Christmas Recess for two weeks.

**Christmas Wishes
And Happy Holidays to All!**

I will welcome you back – refreshed – in the New Year, for some very exciting material

Enjoy!

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The Contributors' Panel

Keeping You Abreast of Latest Thinking in Asset Management

In 2006 we will be bringing you two-page condensations of some of the leading work in asset management being carried out today and some of the leading thinking on the topic from our "Strategic Asset Management" Contributors Panel.

Some of these authors and presenters you will already have met in 2005, but there will be others who will be new to you. As I have travelled around the world this year I have met and talked with many asset managers. Those who are consistently tackling the leading edge issues and pushing forward the frontiers of asset management I have asked to become members of our Contributors Panel.

Profiles of Contributors on the Panel will be found on www.amqi.com as their articles are published.

Their profiles will be put up on the www.amqi.com website in the New Year as their articles are published so that you can find out more about them and contact them. We have Contributors from all areas of asset management spanning the world, so this will be a vital resource for those who wish to keep abreast of latest developments.

Along with follow up and related on line material.

Wherever we can, fuller articles and/or related studies will be made available on our website for further exploration.

Our New Features

In addition to the articles above, we will be bringing you a series of one-page features, as follows:

"Worth Noting"

What's new in Asset Management Resources?

On the inside front page, we have **"Worth Noting"**. In 2006, this is where you will find reference to asset management resources such as useful websites, reports and articles as well as special interest groups and current comment on the asset management issues of the day. If you have a special interest group, a think tank or whatever and would like to get the message out to the asset management community, this is a good place to do it. Short book reviews on asset management topics can also be found here.

Coming Up in 2006

What's the Big Idea?

In 2006, we will tackle the really big issues that will greatly impact our future, both as citizens and as asset managers. These issues are:

- Peak Oil and Gas and the impact on continuously rising oil and gas prices from now on?
- Affordable housing, city infill, and the shape and location of suburbs
- Climate Change
- Population Ageing, Demographic shifts, and population decline

Some of these issues are ones that our governments and the daily media are reluctant to address. Few of us, for example, are well informed on the reality of 'peak oil and gas', the notion – well developed by leading geologists, that we have now reached the limits of easily accessible oil and gas and from now on, retrieving oil reserves will become more difficult and costly and the quality of the oil will mean more extensive costs of refining. Even without increasing demand, this means that oil prices – and the price of everything that depends on oil (and this is just about everything from building materials to fertilisers) will rise. Add the rapid industrialisation of China and the prices will rise even faster. This is not a temporary phenomenon.

As asset managers advising on the type, location, quality and quantity of future infrastructure, what do we need to know? How do these things impact the way we manage our current infrastructure? We can choose to be victims of the decisions of others, or we can take an active part NOW in the policy debates by contributing **the asset management perspective**.

The Back Page

On the back page we have two new series for you

- (1) How asset management got started, how it has developed, and where it is today, country by country (in conjunction with the British Institute of Asset Management and others).
- (2) **"Do You See What I See?"** In conversation with asset managers over recent months I have noticed a desire that decision makers and the community generally should understand us and asset management better. But is it not equally important that we, as asset managers, understand the community and our fellow practitioners in other, but related, disciplines?

For example, how do architects, social planners, engineers, demographers, property developers, real estate managers, finance specialists, policy making bureaucrats and others view the issues that we are grappling with. Do they see them as important? Do they agree with the solutions that we are proposing? What unanswered questions do they have? Unless we know this, what hope do we have of influencing them? Or, if necessary, of countering their influence on decision makers? "Do You See What I See?" will bring you the results of interviews with those whose ideas are important to us.

What were the Strategic Asset Management Issues in 2005? Some of the Highlights

It says a lot for the maturity of asset management in 2005 that the major issues today are not primarily technical. They have more to do with ensuring that asset management serves business and community needs. This was well spotted by local government organisations in New Zealand who, in October, ran a conference on asset management with the theme **“Driving Business Forward”**.

We opened the year (157) with Dave Openshaw (UK) arguing that asset managers needed to develop a long-term vision if their asset management was to serve the purposes of their business. This was an idea that he elaborated on in subsequent issues with detailed guidance for strategic leaders. (159-162, 164,165) Later, we were to explore the importance of AM not only to business but to the communities that business serves. (162,163). But a long-term vision requires tools to explore the likely shape of the future and how AM may impact or react to changes. (177) Whereas we have developed good tools for analysing past data, we do not have similarly well developed tools for analysing the future and yet it is the Future that we are trying to influence with our AM activities. This is likely to become a stronger theme in 2006.

In the same vein, the focus has moved from asset management processes as such to the outcomes of those processes. **Measuring performance is important**

In 176 “A Basic Primer on how to Measure Asset Management Performance” Ruth Wallsgrove (UK) distinguished between ASSET performance and ASSET MANAGEMENT performance and Ross Waugh (NZ) looked at what has and has not worked for NZ. Rethinking Benchmarking by Leo Gohier (Canada), Issue 178 also addresses the issue of performance measurement. We also covered a very interesting survey of wastewater asset managers, academics, and policy makers on “What is a Sewer Spill worth?” This was the work of Ken Harlow (USA) who manages the most interesting public access water asset management site that you will find anywhere.

As with engineering, the financial AM issues are also increasingly issues of communication, both within and outside the organisation. The question of **Funding Renewal** is becoming the key and critical financial issue for many agencies.

Knowing what to fund is the first step and John Howard (Australia) addressed this in his template for reporting asset condition and economic life for sealed road assets. (161) Funding Plans and Debt Management as an AM tool featured in Issue 164, while Issue 167 looked at some bad practices that were creeping back into the system such as the idea that debt need not be repaid. Financial sustainability was also addressed in Issue 173 a propos of a study on the subject for local government in South Australia. Issue 170 “Funding—A Strategic Choice” looked at alternative funding mechanisms and introduced readers to an important Canadian asset management resource.

And while Financial Sustainability is important, we cannot forget that we are in the business first and foremost to provide a service. How successful are we at that was partly addressed in “measuring performance” above, but in addition there is the very difficult area of **Social Costs**.

Issue 171 asked whether we are making things better or worse (socially) by our infrastructure management. What are social costs, how can they be measured. With case studies.

2005 Highlights (continued)

Knowing **What to Fund** is clearly a first step.

And in our second issue for the year we queried whether there was any way in which we could develop a standard rating for **condition** values that would have the confidence of our time values or the ready understanding that we have for dollar values. Graham Holland, British Waterways (UK) led off with “Understanding your Grading Systems” (Issue 158) And during the year we looked at different ways of addressing condition to increase our confidence levels and John Howard provided a simple method for ensuring that depreciation measures did not over-state (161)

There is a growing awareness, however, that **attracting good asset managers** is getting harder and harder.

Attracting good asset management staff is a problem affecting many organisations. Fewer undergraduates seem to be attracted to engineering and infrastructure. What can be done about this? In 168 “Survival of the Species” devoted the whole issue to this question. And in Issue 165 we focussed on “Taking Steps to Enhance AM Capability” Related to this is the notion of professional engagement. And John Scott, UK Regulator, observed that professional engagement has been declining. What can be done about this?

The focus this year has been on engineering skills but my guess is that we shall see more emphasis on the contribution of other disciplines in future years. In any case, it would seem that one of the possible solutions to this resource dilemma is to....

Cut through Complexity. There is a great danger that our ability to analyse mass data collections with the latest computer techniques is causing us to focus too much on analysis and not enough on strategic thinking.

*In this context the idea of “**Managed Luck**” as an approach to risk management has much to commend it. Issue 172 provided a brief overview of this new area of thinking, with follow on references to a fascinating website. Worth a re-look if you have a spare minute over the January slow-down.*

*In Issue 177 Danny Azavedo (Sydney Water, Australia) went where no man had gone before—and argued persuasively that good decisions could be made without masses of data, and that agencies with only poor data could do much more to make the correct decisions if they used—but managed—their ‘gut feel’. It turns out that “**Gut Feel**” has some very sound neurological backing!*

Communication We are making headway here but we need to get more serious.

Issue 166 looked at a number of public communication issues – including the interesting **Washington EPA Workshop** (USA) in Water Asset Management to develop greater understanding and application across North America. In the same issue, John Redlands (Queensland) looked at the equally important issue of how we communicate with ourselves over time – i.e. how we record the lessons we have learnt. An interesting article by Geislin (USA) was summarised, with reference to the original article, and looked at what is the ‘real cost’ of breakdown and how to communicate this to decision-makers *before the breakdown happens.* (Issue 169)

2005 Highlights: A Wider Community Role for Asset Managers

Asset Managers have a very special role to play in ensuring that communities have the right infrastructure at the right level of service that is affordable both now and in the future.

In Issue 162 “Why a Bridge” I explained the reason why I had adopted a bridge as my symbol for asset management on the website “AMQ International’s Emerging World of Asset Management”. This website is designed to help professionals in their role as specialists in asset management.

In addition to our role as Asset Specialists, we also have a wider community role to play.

Issue 163 introduced a new community association for Asset Managers—in their capacity as concerned and committed members of their communities. Asset Managers have much to offer current debates on infrastructure but sometimes it is not easy to do this through one’s own organisation, hence the need for a community association such as **ACORN**.

Issue 164 explained the nature of ACORN, why it had been created and what it could do. In Issues 179 and 180 we introduced some of the early work of this new association—briefing papers for first time up consultancy project managers—with an open invitation to experienced asset managers to contribute. Our way of increasing AM capability.

2005—Contents of All Issues

Issue 157 (January 7) Janus – Looking Back and Looking Forward

Graham Holland – Darwinian Evolution and the Rise of Asset Management in British Waterways

Dave Openshaw – Why Asset Managers need a Long Term Vision

The Ise Shrine

Issue 158 (January 21) Time, Value, Condition

Graham Holland – Understanding Condition Gradings

Culture and its impact on Asset Management

Ideas that Last

Issue 159 (February 4) How to... And...

How to measure service levels using a survey: What’s a spill worth? Ken Harlow

How to be a World Class Asset Manager by understanding the financial structure of your business.

Issue 160 (February 18) Asset Management Aid

AM training in developing countries

Interpreting Environmental, Health and Safety Legislation

Does Organisational Structure really matter?

Issue 161(March 4) Simple Ways to Improve Depreciation Measures

Understanding the Business Environment (Part3)

Template for assessing & reporting Asset Condition & Economic life for sealed road assets by John Howard

Depreciating only what wears out

Issue 162 (March 18) 2005 Why a Bridge?

Asset Management as a bridge between objectives and asset operations

The roles of Asset Management

Understanding the Business Environment (Part 4: The Economy and Commercial Models)

Bridging to the Community

Issue 163 (April 1) 2005 The Ultimate Asset Management Challenge

Taking asset management into public debate via ACORN Inc. a non-profit, non-aligned, industry and public interest association designed to bridge the gap between Community Leaders and Asset Specialists.

Issue 164 (April 15) 2005 Funding Renewal

Funding Plans; Debt Management as an Asset Management Tool

The Only Two Financial Ratios You Need

Three to Five – why medium term time estimation is a problem

Dave Openshaw – Political/Public Image

Issue 165 (April 29) 2005 Taking Steps to Enhance AM Capability

University accredited courses in asset management

Learning from the job

Creating Long Term Value

Issue 166 (May 13) 2005 Asset Management must Go Public

Why Queensland has adopted a 19th Century solution to a 21st Century Problem

Reaching Out – How AM in the Water Industry is moving beyond the technical

A Collaborative AM Working Session in Washington

What do we know – How to establish Knowledge Management

Issue 167 (May 27) 2005 Time Passes, Memories Grow Dim

"Free Assets" tries for a fashion comeback

Don't repay debt? Build now, pay later?

Asset sales: a measure of effective asset management

The Economic Life of a hospital

Issue 168 (June 10) 2005 Survival of the Species

How to attract the best asset managers

How to grow the size of the potential asset management pool

How to utilise better what we have and disseminate knowledge

Issue 169 (June 24) 2005 Counting the Costs

Geislin's "Inverse Square Rule for Deferred Maintenance"

What is the real breakdown cost?

Key messages for Rec and Sport facility managers

Thinking Big

Issue 170 (July 8) 2005 Funding – A Strategic Choice

Alternative funding mechanisms

Customers Pay; Clients Consume

FM as Educator

Issue 171 (July 22) 2005 Infrastructure Management – Are we making things better or worse?

Social Costs: What are they and how can they be measured?

Mitigating Social Costs

Case Studies in the Measurement of Social Costs

Issue 172 (Aug 5) 2005 Positioning Yourself for a Brighter Future

Anticipate and Manage Change

A new approach to risk management – 'managed luck' and embracing uncertainty

Issue 173 (Aug 19) 2005 Something for Everyone

Why AM is extremely valuable for Planners

What is it that makes infrastructure different?

What is financial sustainability, and why do so few of our councils have it?

Life Cycle Costs and Deferred Maintenance

Dust off your Schumacher, Small is again beautiful

Issue 174 (Sep 2) 2005 Asset Information

If asset managers lose control of asset information, they lose control of everything!

Invitation to join Best Practice Asset Information Group

Infrastructure Connectivity – Learning from New Orleans

Issue 175 (Sept 16) 2005 Service Levels – More Than Asset Condition

All Opus International Issue

Paper presented by Dr Ian Greenwood at the 2005 Adelaide international Public Works Conference.

Feature article by Tony Porter and Neil Cook

Issue 176 (Sept 30) 2005 A Basic Primer on how to measure Asset Management Performance

Ruth Wallsgrove, - Distinguishing between ASSET Performance and ASSET MANAGEMENT Performance

Ross Waugh—What has worked and what is still to be improved in the NZ asset management experiment.

Issue 177 (October 16) 2005 Assumptions and 'Gut Feel' Under-developed tools in the Toolbox

Danny Azavedo—The neurological basis of gut feel

Excerpt from a plenary address to senior utility managers in Europe.

Issue 178 (October 30) 2005 Rethinking Benchmarking

Managing an AM Consultancy -Preparing the Business Case - the process

Rethinking Benchmarking - Liars Figure and Figures Lie; Can you really compare? Looking at the variables

How to successfully benchmark; The Ashley-Perry Statistical Axioms

"The Tipping Point" & Analyzing the Future

Issue 179 (Nov 14) 2005 When Things Go Wrong

Governance, risk and reputation capital

Consultancy projects: before you place that ad! – for the practitioner

Professional engagement is at a low ebb – for strategic leadership

Something remarkable happened

Issue 180 (Nov 28) 2005 Managing ALL the lifecycles

Worth noting – letting your tenders

Tender Evaluation Techniques – for the practitioner

Managing ALL the lifecycles – for strategic planning

What's the big idea – Tipping Point Responses

The Issues we should be tackling NOW

Issue 181 (Dec 12) 2005 in Review

Major themes addressed in 2005

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