



The colours of early Australian

Time to Reflect

2006 has been a good year for Asset Managers. We have never been busier, more wanted, or more needed. But.. (and there is always a but!)... there is a danger that, with our heads down and working long hours to keep up with the demands on us, we may not find—or make—the time to consider how we may do things better (maybe by not ‘doing’ at all.)

So now, as we slow down a little for the Christmas/Summer break, you may wish to set a little time aside to reflect on the past year. What were the issues that were most exhilarating for you? What were the most troubling? Could you have done something better? What issues remain unresolved?

And for those issues of SAM that you put to one side ‘for later’ here is your chance to see what is there and what you want to catch up with. This is our annotated **INDEX Issue** and **the last issue for 2006**. **The next issue will come out on Jan 8 2007.**

My thanks to all readers, but especially to those who wrote, or called, or met with me on my travels to exchange ideas in asset management. ***Please continue, you are much appreciated!***

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THEME 1. EFFECTIVENESS

Portfolio Planning (SAM ISSUES 182-184)

We opened the year with a three part series by Ype Wjnia and his colleague Joost Warners from Network Essent, the dutch electricity utility, that addresses the really important question – how do you know that you are tackling the most important questions from a corporate perspective? If you don't know the answer, have a look at this series in Issues 182 through 184. Ype and Joost describe how they evaluate problems using portfolio planning in Network Essent.

- Case study from Network Essent Holland 3-4, 11-12, 19-20
- What asset managers know better than anyone (*portfolios*) 51

Productivity— “What’s your next move?” (SAM ISSUE 195)

On a similar theme of ‘doing the right thing’ we recognise that time is our scarcest resource, so how should we make best use of time? In “What’s your next move?” we look at the options available to you whatever your main focus and taking into account where you are in management terms. You may wish to consider the following:

- Business 106
- Asset Accounting 106
- Planning 107
- Acquisition and Disposal 108
- Improving Performance 109
- Operational Efficiency Improvement 110
- Asset information and knowledge 111
- Regulation, Audit, Policy, Control and Compliance 112

Integrated Planning (SAM ISSUE 190)

“Doing the right thing’ is hard enough simply working within the one organisation so how do you develop a long-term plan when you need to involve several different organisations? This is what the city of Auckland needed to do to ensure reliability of water supplies into the future. This is an excellent example of creating a common vision through the use of scenarios. Recommended reading.

- A Three Waters Vision – integrated planning using scenario development in Auckland, NZ 65-70

THEME 2. THREE IMPORTANT ISSUES IN 2006

1. Financial Sustainability (SAM ISSUE 193)

A subject for discussion across all States this year!

- NSW Inquiry into Financial Sustainability of Local Government
 - The 4 Questions and their answers
 - Should asset management be mandated 30
 - Press coverage of the Inquiry and what was addressed 31-32
- Are councils 'going broke'? 90
- Should we expect councils to 'pay their way'? 90
- States can go broke, too 95-96

2. Fund Renewal, not Depreciation (SAM ISSUES 202-104)

The topic that had the most feedback!

- Advantages and Disadvantages of Depreciation Funding in brief 162
- Disadvantages of Depreciation Funding 163-164
- Difficulties in achieving the Advantages of Depreciation Funding 165-166
- Funding Renewal, why 167-168
- Funding Renewal, how 170-172
- Case study of South Australia 173-174
- You know you are on the right track when.... 175-176
- A warning on using projections without checking the individual asset 183

3. Skills Shortages (SAM ISSUES 197-199)

Three consecutive issues consider different aspects of this important subject with suggestions of what you can do that are different from what others are doing

- Skill shortages are common across industries and across the world
John Scott, UK Energy regulator 123-124
- Increasing infrastructure demands are increasing the skill shortage problem 125
- Blow out! Cost blowouts will become more common 126
- What can you do about skill shortages?
 - In the short term 127
 - In the medium to longer term 128

Creative solutions

- "We are all fishing from the same pond – and it is drying up!" Observations from the outcomes of the National Skills Summit 2005 130
- "We have a pretty good idea of what, but how?" – the creative work of the IPWEA 131-132
- The 'Offshore' Solution 131-132
- Tap the markets others have not yet seen 133
- Job redesign – deconstruct and reconstruct 134
- Watch what you say – *the desire to 'create' jobs in a time of skill shortages is not wise* 134
- Increase the range of disciplines involved in asset management (*or, yes, engineers can do everything but do they need to?*) 135
- Engineering Scholarships? 135
Suggestions from Leo Gohier in Canada 143-144

THEME 3: STRATEGIC ASSET MANAGEMENT

Strategic Asset Management: why is it often so frustrating? The answer is that it is necessarily both optional and part-time. How come? See

- Why it is optional 117
- Why it is part-time 118
- 5 Strategic Asset Management Tasks 119
- The dangers of hasty decision making, 120

But to the extent that we are captured by a few common myths we can make our task much harder than it needs to be. See

Dispelling the Myths (SAM ISSUE 196)

- **Myth:** Governments do not have enough funds to build and maintain infrastructure and so have to resort to the private sector 114-115
- **Myth:** Market forces are best 116

Strategic Thinking (SAM ISSUE 183)

Can machines do strategic thinking?

- “I’ve got a program that can do that!” 10
- (The Magnificent Seven – prescripts for AM planning from Canada, 21-22

Public Values, Public Infrastructure (SAM ISSUE 185)

- How the words we use influence our value statements 26
- The 21st century as an Age of Renewal 27
- Safeguarding Public Values 28
- A database/collection of value adding ideas in renewal 35-37

Stocktake – What is good and bad about our experience to date with AM? (SAM ISSUE 191)

See if you agree with this assessment

- What have we done well? 75
- And what have we done not so well? 76

THEME 4: COMMUNICATION

At the Strategic Asset Management level, the first requirement is the ability to communicate – to senior management, to your team, to your peers, and to the community at large. Without the ability to communicate, you have no influence, and without influence you might as well not be there!

Influence – Getting It, Using It (SAM ISSUE 186-187)

- A window of opportunity – how to get influence 34
- Expanding that window of opportunity to expand your scope for influence 34
- An exercise in being relevant 39
- Achieving Influence 41
- Having a BIG Problem does not ensure influence 42
- Creatively dealing with problems can ensure influence 43
- Boasting – choose your targets wisely 44
- Wielding influence is not egotistical, it is part of doing your job 50

Graphics (SAM ISSUE 184)

Get your message across in a minimum of words by using pictures

- Using graphics to communicate assets to your community 23-24

What you do and how you communicate cannot be separated (SAM ISSUE 184)

Consider, where effort rather than outcomes is used as the performance measures, you can never satisfy!

- “Why aren’t you spending more on the roads in my electorate?” 56

Those other disciplines! (SAM ISSUE 194)

Asset management is a multi-disciplinary field; we all know this, or do we? What does it mean to be multi-disciplinary? What does each discipline contribute? And what’s in it for them?

- Getting your message across 98
- Engineers and Technicians 99
- Economists 100
- Information Managers 102
- Architects and Designers 103
- Who else? 104

On the same topic, consider

- Why AM is important for architects and designers 5-6, 13-14

THEME 4: COMMUNICATION (cont.)

It is natural to assume that others share our assumptions about the world, and when they don't, confusion can easily occur. To maximise your chances of dealing successfully with others in the field of asset management, I have prepared a brief guide to the way that engineers, economists, accountants and finance managers think. Read it, understand the way that others view problems and you will see why they think that certain solutions are acceptable when you don't!

Engineers and Economists think differently! (SAM ISSUE 201) (and so do accountants and finance specialists)

- Why communicate? 154
 - Accountants 155
 - Finance Specialists 155
 - Economists 156
 - Economists and Engineers 156
 - Assumptions 157
 - The Can-do/ Can't do divide 157
 - Similarities/ Differences 158
 - Discontinuity/ Continuity 159
 - Price signals 160
 - Reversibility 160
 - Infrastructure and other assets 160

Media (SAM ISSUES 185 & 193)

As the media becomes more interested in asset management issues that doesn't mean that reporters get the issues straight, or that they don't have barrows they wish to push. Countering media releases is becoming a more time consuming chore for asset managers who need to deal with senior management and/or the public.

- Press coverage of NSW Inquiry into financial sustainability – what issues it addressed and what issues were highlighted by the inquiry itself 31-32
- Media urge more spending on infrastructure 95

THEME 5: STRATEGIC TECHNIQUES

Risk Management - *It is a relatively common practice to rank all risks from serious to insignificant, to rank according to risk cost and to start working on your risks from the top of the list down. See why this is a pretty ineffective way to deal with risk as well as being expensive.*

Risk is not a Cost, it is an investment (by Peter Buckland, Hunter Water) (SAM ISSUE 204)

- Risk Management Basics 178
- Not a cost, but an investment (and therefore follows the same rules as investment) 179-180
- Quantifying the benefits of risk mitigation, a 2 step process 181-182

Trust me, I'm an Asset Manager (by Ruth Wallsgrove, RailCorps NSW) Issue (SAM ISSUE 205)

In her case study of successful renewal bid planning in the UK, Ruth Wallsgrove uses the investment approach to risk management advocated by Peter Buckland. Do yourself a favour! Get more effective risk management procedures – and win the funding that you need!

'Reality' AM (SAM ISSUES 190-1920)

Rather than talk about principles – boring stuff! – Roger Byrne takes us through an initial bad day in the life of Tom, a sewerage engineer, and then through the subsequent days and weeks as he develops sound asset management procedures to greatly improve his life. Start the story here – and continue it on the web following the link given. Great for newcomers as well as old hands in asset management.

- Tom's Bad Day 71-72, 79-80, 88

Problem or Solution Focussed? (SAM ISSUE 199)

What's the difference? Studies show that you get more of what you focus on! How can you be solutions focussed? What are the skills you need? Where can it take you?

- Are we really solution focussed (or are we actually problem focussed?) 138
- An Inspector Calls – a short case study illustrating the applications of the Solutions Focus approach 139-140
- The Solutions Focus – in brief – and where to get more information 141-142

Planning (SAM ISSUE 186)

- Beware the Linearity Trap – trends don't go in straight lines 38
- An exercise in relevance – scenario generation 39-40

Asset Management Plans (SAM ISSUE 192)

Assets are a means to an end, and that end is service delivery; but how do you get your organisation to provide operational definitions of their service delivery objectives – in other words, how do you design your Asset Management Plan so that senior management recognises its relevance to them?

How YOU can figure out what THEY want in the AMP 86-88

THEME 6: OUR ROLE IN SOCIETY

Environmental Sustainability (SAM ISSUE 189)

I have long maintained that the Canadians are delightfully practical, see for yourselves in this collection of Canadian examples.

- Water 59
- Landfill, turning a liability into an asset 60
- Green municipal funds, what they are and what they do 61
- A knowledge network in environmental sustainability for asset managers – a valuable source of short case studies 62
- Sustainability websites in Canada 63-64

Socially Responsible Infrastructure (SAM ISSUE 200)

For the 200th issue of SAM, this seemed a most appropriate topic!

- Social Responsibility, the challenge 146
- Focus on Outcomes (rather than input measures) 147-148
- Work with your economists! 149-150
- Lead by example 151

Energy (SAM ISSUES 182-183)

- Oil Prices and likely future trends, 7, 15-16
- Reviewing project proposals in the light of possible upward oil prices 39
- Could you reduce your energy consumption 30% in 5 years. A case study of British Waterways 45-48

Demographics (SAM ISSUE 192)

Declining Rural Populations – National population projections show that many rural areas in both Australia and New Zealand are currently facing declining populations and more will do so in the coming years. How can infrastructure be managed when community needs are changing, revenues are declining and maintenance and operating resources increasingly hard to come by? This is an area that Jeff Roorda has been dealing with through extensive consultation with elected members in rural councils. It is an area that you may also need to cope with.

- Pro-active or passive: key issues in population decline and some possible approaches, by Jeff Roorda 81-85

Management (SAM ISSUE 191)

- Doing business like a business, or is asset management really so difficult? By Ken Harlow. 77-78

Generating Options (SAM ISSUE 193)

There is one area where society relies on asset managers, although they may not know it, and that is in the generation of options. We are the ones who understand cause and consequence over the long haul. In this issue we provide lots of examples of generating options.

- Generating and Examining Options 89-93