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For Practitioners, Policy Makers and Planners in Public

AMQ INTERNATIONAL
STRATEGIC ASSET MANAGEMENT

A little history is a wonderful thing!

The need to rapidly get our heads around new areas often means that we do not have the leisure to explore the historical development of the new fields we are moving into.

Take community consultation for example. What do we know about the history of democratic involvement in decision making - and does it matter? I will let you make up your own mind after you have read the 3 part series by Debra Hall that starts on page 205/206. But I bet you will look at community consultation differently after you have read it!

Also in this issue:

My 2007 Predictions - and what we can do about them

And an adaptation of the Hamilton City Graphic by Rockhampton City Council. Want a better way of communicating to your community?

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Editorial: Change is in the Air

This issue of SAM looks a little different. It is being designed to accommodate the needs of our increasingly mobile readers. We needed a format that was equally attractive in print and on screen, so we have new software - and a new learner! *Expect to see continuing changes.*

Online issues have a number of advantages - they get to you quicker, they are in colour, and you can easily access related information and references, if you are online, with a single click. However, to get the readability characteristics of short lines in two columns, you frequently had to do a lot of annoying scrolling. We are eliminating that. Now every section of a two column article can be completely viewed in one screen depth.

Hardcopy issues equally have a number of advantages - they come in our buff coloured recycled stock which is easy to find on a crowded desk, they are pre-punched for easy filing in the accompanying binder, and they tend to get read simply because they 'arrive'. Many readers who have experimented with 'online only' are now returning to printed copies because of their convenience. But in the past, often the pictures that looked so great in colour on screen do not translate well into black and white. We now have the ability to adjust pictures so that the quality in colour and black and white is equally good.

So it is horses for courses! And in this case, it is definitely a two-horse race.

Another change is formal recognition of the differing needs of sections of the "Strategic Asset Management" Community. From this issue we will explicitly address the needs of

- **practitioners** - particularly local governments and consultants) with case studies, tools and techniques.
- **policy makers** - state government central agencies such as Treasury, Public Works, Premiers, as well as Regulators, Audit, and Statutory Authorities
- **planners** - including both internal planners, such as planning sections within agencies and within asset management branches and external, such as planning departments, agencies, associations). Planners are particularly impacted by the enormous changes that are taking place with the resurgence of interest at political levels in a national infrastructure policy, climate change, population issues and shortages of skilled labour resources, a forecast slow down world wide economic growth and the likely impact of renewed trouble in the middle east on oil prices, to mention just a few. These issues amongst others are shaping up to be far more significant in asset management planning than the simple asset ageing issues that have occupied us in recent years. See "*The Shape of things to come*" (Pages 203-204)

As always, your comments, suggestions and ideas make my life, as well as SAM, more interesting, so please keep them coming.

Consider and Enjoy!

2007: The Shape of Things to Come

Penny's Predictions

Focus on information collection for betterment is over

Data is no longer a source of competitive advantage or superiority - it is now basic and essential. There is now hardly an agency anywhere in Australia and New Zealand that does not have pretty good asset tracking systems to help it identify and forecast needed asset renewal. This was not the case 20 years ago. Our job **was** data acquisition but that job has now largely been done. Now we must move on! The next task is understanding the future demand for our assets, to develop a demand understanding that matches our supply understanding.

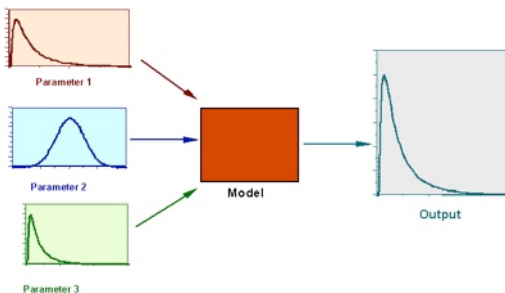
Renewed political interest in new infrastructure spending

In 2007 the focus is likely to be on a renewed round of infrastructure spending. This is where we used to be 20 years ago. Then along came information about the cost of maintaining our existing asset stock and attention switched to asset management and renewal. *It is about to switch back again!*



And along with interest in increasing infrastructure spending - and perhaps to facilitate it - there could be great upheaval in the way that infrastructure agencies are organised. In Australia, a current example is the pressure for control of water supply to move up the line: from local to state control in Tasmania, from state to federal control on the mainland. If successful, the resulting change in funding flows at local and state levels could lead to adjustments in other areas and more than just water asset managers will be affected. *Agencies' attention will be diverted to this issue.*

Greater uncertainty



In 2007 the uncertainty level will move up several notches. The current drought is not only affecting demands for water infrastructure but has brought the issue of climate change to the fore. Any planner who does not build in likely climate change impacts on the type, location, use and management of assets will inevitably produce forecasts that are irrelevant and costly at best, and exceedingly damaging at worst.

Then there is the forecast slow down in economic growth world wide. This is likely to lead to even more uneven growth than we have at present - to a resources boom and a manufacturing slump we might add a slow down in agricultural exports and exports of all kinds. This in turn may impact population movements. At the very least it will impact the ability to pay of different sections of the community. Some may be tempted to build assets as a means of maintaining or attracting population only to find that over the life of the asset the population to use, maintain and fund those assets are not available.

The danger is short-term thinking. *Drought and the resources boom could lead to decisions on long term infrastructure being made with mostly short term issues in mind. This is, I believe, is shaping up to be the greatest problem that we will face today in strategic asset management.*



Will imagination trump 'adherence to the rules'?

"We are living in an Age of Paradox"

How do we meet the challenges that change will bring? Throughout this year, *Strategic Asset Management* will focus on ideas that help you to understand and manage this changed world we are inheriting. Here I want to look at just one change - but a very important one.

Finished Staff Work is dead!!

Eamonn Kelly is the CEO of Global Business Networks - examining the future is their business, they are the scenario planning experts who advise national governments and global companies. Kelly says "We are living in an 'age of paradox'". Every trend, he says, is matched by a counter-trend. For example, the economy is becoming increasingly intangible as we sharpen our focus on services, experiences and virtualisation, yet the physical economy matters more and more with the need to update physical infrastructure.

Another of his observations is that information is ubiquitous and instantaneous. What is 'known', he argues, 'is a diminishing source of competitive advantage, so successful futures will increasingly be forged through mastery of the unknown.'

**What do these ideas mean to us,
who deal in the management of infrastructure?**



We need to learn to live with ambiguity

The first thing is that we will need skill in dealing with ambiguity; in a world of constant change we must be able to hold the possibility of several, possibly contradictory, positions in mind. No longer will we move forward by neatly solving one step and then moving on to the next. This 'tolerance for ambiguity' is more often associated with those who are intuitive and creative, rather than with those who are engineering or technically inclined. So either we seek the help of other disciplines - or learn new skills and talents, perhaps both.

Future Knowledge Worker?

Success goes to those who can ask the best questions

Coping effectively with constant change will reward those who are able to produce the best *questions* rather than the best *solutions*. We have to develop a sense of comfort in 'not knowing'. This is not a skill that has necessarily been associated with infrastructure asset management. On the contrary, until now we have seen it as important to provide solutions, not questions. We have developed our AIS precisely so that we can! We take pride in our 'finished staff work'. However, in a world of constant change, any 'solution' that we can readily produce is most likely to come *from what used to work*. It is a solution for the past, not one for the future. Two corollaries follow:

1. Strategies that **leave your options open** are likely to be more productive, even if they cost a little more in upfront costs, and
2. Instead of the solutions focus of 'finished staff work' we need to develop **the art of the insightful question!**

For Policy Makers

Community Consultation: Delivering to Excess Expectations, Pt 1

By Debra Hall, MSc (Eng)

Not a day goes by without another survey result being reported in the media

– telling us how people think the economy is doing, whether they think we need changes to the drinking age (again), whether or not it's too early to make a movie about the Aramoana massacre, or even how well people wash their hands!

Communities are consulted on an almost daily basis about everything from the truly serious to the randomly ridiculous. And local government organisations do a great deal to add to this burden on communities to participate and share their views.

Have you ever thought about how much of the excessive expectations of our communities – and they do have excessive expectations of getting everything for nearly nothing – are built on a solid platform of excessive consultation?

The idea that because you're asking me about this, it must be possible? How did we get to this point where the people are expected to want to have a say in everything, and then some.

Time for

A Little Bit of History

As far as I can tell – and I'm no historian - it all started with Cleisthenes, who lived and died around 500 BC, and is credited with being the father of democracy. Seems he hit on this idea of giving the 'people' a voice as a way of garnering popular support to overthrow a tyrant. Of course, in his time, it was nowhere near majority vote - the only ones who counted as 'people' were men, born in Athens. He created the Assembly, where all Athenian men could gather and have their say about matters of concern to their city state.

Even then, he found it was difficult to get literally every man into the Assembly, so he created a smaller council of 500 people, who according to the history books were selected by lottery, and changed every year – a bit like letting the people in a 500 respondent survey run things for the next year or so, until we do the next survey.

Although this 'democracy' did catch on in some 'free cities', it was certainly not representative government, and even in those days the ones who participated most actively were apparently those who had plenty of leisure time to devote to politics!

With the rise of the Roman Empire, democracy waned, to be replaced once again by emperors, tyrants and monarchs. It would take many centuries before the people truly rose up again, and the seeds of democracy as we now know it were sown, with the French Revolution, and settling of North America and so on.

So modern democracy was born, the people got their say – well some of them, anyway – and when they didn't like what their leaders were doing, they voted them out and chose new ones. Much more civilised than overthrowing them in bloody coup d'etat – though of course, those are still used most efficiently in many

Not All Democracies are Equal

So here we have it – a system where communities band together and choose from their midst a small group of men and women to run things for them. Democracy. But did you know that not all democracies are equal?

Political theorists talk about four different kinds of democracy – all ways in which the people have their say, the community is consulted, though not always on a day to day basis! Let's quickly look at the differences, because they are key to understanding how we've got to this situation of excessive consultation...

First we have minimalist democracy – which must certainly look appealing to those of us who just want to get on with living our lives. Based broadly on the idea that the people en masse don't know enough to govern, minimalist democracy lets the people elect teams of politicians to 'rule' them for a specified period (reserving the right to vote them out at the end of that period). Under this system, no consultation is required – until the next election!

If that doesn't suit you, how about aggregative democracy, where the elected leaders specifically aim to make rules that suit the median voter – aiming for the middle ground in all that they do.

Or perhaps you prefer deliberative democracy, where decisions are reached through discussion and debate, where both elected leaders and others have the opportunity to debate and discuss and potentially change minds about what should happen. Sounds a bit like Cleisthenes' Assembly.

Or the ultimate democracy – participatory democracy – where the citizens decide for themselves what happens (literally by voting on any major issue, similar to how they run Switzerland). In fact, one might argue that the amount of consultation going on in our NZ communities right now is leading ordinary people to believe that they do in fact have a right to vote on every decision! And certainly, the increasingly widespread availability of the internet is making this a possible reality, which it certainly never was before.

Our Changing Attitudes

People power of course has always existed – and electronic media has brought these images closer to us, and made messages more easily spread, giving people the power to shape their worlds, and deal with providers – both commercial and political – in more immediate and public ways.

Back in the fifties, people basically did what they were told, believed what they were told, and life was orderly. Mum was in the kitchen, Dad went to work and politicians were respected leaders who were perhaps more in touch with ordinary people's lives.

Although we had democracy, we didn't really expect to participate in the process, as far as I can tell, until the next election came around. Perhaps the people running the show were closer to what ordinary folk thought and felt – or maybe we were just conditioned

to accept that others knew best.

The sixties changed all that – in the new era, public opinion burst onto the scene, and protest marches expressed conflicting views, forcing themselves into our living rooms, and forcing us in turn to re-evaluate our beliefs. If we look at the development of marketing in that time, we find that brands started encouraging individualism, and appealing to people's emotions, rather than just selling a functional product. Suddenly, opinion was being shaped not by our history and upbringing, but by what we saw in the streets, on television, in advertising.

In the next issue Debra continues the community consultation history with messages for [Asset Management Planners](#)



Debra Hall established Research Solutions in 1992, in response to what she saw as a gap in the market for a research company that would get down off the fence, and tell clients what they thought, as well as what the research said. The company is now the largest fully New Zealand-owned market research company in New Zealand.

Debra's direct approach to research has been valued by a wide range of local and central Government clients. Developing a reputation for straight talking in regard to Auckland infra-structure issues, Debra has worked extensively on transportation and housing intensification issues, and she was an integral part of the team which wrote the current NAMS Asset Management and Customer Service Manuals – essentially "writing the book" on local government community consultation.

Debra and her team are recognised as New Zealand's most innovative research company (twice awarded the Supreme Innovation Award at the Market Research Effectiveness Awards), and have won more effectiveness awards than any other market research company in New Zealand.

What
Strategic Asset
Management
Issues would you
like to see
addressed in
2007?

Since 1994, when Strategic Asset Management started, there has been an explosion of interest in the operational, maintenance, and engineering aspects of asset management and there are now a number of excellent association journals and websites that address these issues.

This means that SAM is able to focus on the strategic aspects of ensuring that assets meet the current - and, particularly, the future needs of the community.

Some issues we have lined up for you this year include:

Communication (including graphics, see over page)

Population change and its impact on needs, affordability, location, etc. - how we can anticipate and manage it

Scenario Development in the public sector

Short term and long term considerations in asset management decisions

What would you like to see? Write to me at penny@amqi.com

GRAPHICS

Last year I published a clever graphic design by Hamilton Council in Canada that neatly captured information on assets. I suggested that others might like to adapt it for their own uses and **Rockhampton City Council** has done just that, and in the spirit of sharing and co-operation they have made their version available to you for further adaptation and improvement. You will find it on the back page of this issue. Rockhampton has a few improvements in mind for future versions. One is to include the Written Down Value (along with Current Replacement Cost) as this would illustrate the equity held by each typical ratepayer and comparing later years version of the graphic (i.e. statement of financial position) would indicate if 'shareholder' equity had gone up or down

Rockhampton City Council

Building and Infrastructure Assets per Typical Ratepayer (Excluding Solid Waste)

