

## Looking Back: 2007 in review



For Practitioners, Policy Makers and Planners in Public Infrastructure

**ISSUE 231**  
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As you start to wind down, perhaps, in anticipation of the coming holiday season, this is a time to look back and see what you have accomplished during the year. It is also the time when we like to look back and see what issues occupied us during the year.

Normally this would be the last issue for the year. But we are dealing with this now, because we wish to offer you a 'Preview of 2008' in the next issue, in which you are invited to contribute your ideas as to those issues that will be important to you, or significant more generally, in the coming year.

So please send in your ideas. As I believe in 'credit where credit is due', it is my intention to acknowledge all your ideas. But if you would prefer I do not name you, that also is OK. just say so - but send your ideas in anyway.

You can also contribute to the current Review edition. And I will reward you with some Christmas Cheer. See Page 3 for details.

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## Editorial: My Favourite Issues

I am a great fan of the ABC radio show “Counterpoint” (available as a podcast from abc.net.au or iTunes). I seldom listen to it without having at least one of my ideas, attitudes or notions challenged. Now, I am not forced to change my mind - I simply *have the option* to see things more broadly. And in this way I am led to consider more deeply, analyse more rigorously, and to make better, more broadly based decisions. None of this costs me anything more than the time to listen and the willingness to consider.

In Asset Management, too, the ability to see more options can lead to better decisions that cost little more than the time and willingness to consider. This is to what I aspire for you in “Strategic Asset Management”.

With this in mind let me tell you what my top 5 favourite issues were this year. (in no particular order)

**Issues 216 “A Service Centric Focus” and 225 “Star Ratings”** - both of these introduced techniques for putting attention to service levels front and centre. They work together. This is so valuable that we created a special interest group to help readers further their group knowledge and exchange ideas on this topic.

**Issues 222 “Anyone for Benchmarking?” and 226 “Change Your Thinking to Change Your Options”** - because both of these dealt with some pretty entrenched ideas well overdue for rethinking. Sometimes we get so used to an idea that it feels comfortable, indeed it feels decidedly uncomfortable even to question it. The universality of benchmarking as a guide to performance improvement is one of these, but all benchmarking is not equal. In Issue 222 I looked at three examples and derived a few principles for when it is worthwhile to get involved - and when you would save yourself a lot of money and time by staying way clear!

Issue 226 challenged the unchallengeable: the accepted shape of the degradation curve. If it does not decline at a precipitous rate once past the magic point then a lot of our road funding strategies may be throwing a great deal of scarce money away. What do we really know about the shape of the degradation curve? Can we even measure it accurately? This requires much more deliberation than we have so far given it.

**And the final selection in the ‘top 5’ is Issue 219 “What’s driving your asset management competencies?”** which looks at the distinction between knowledge and competency on the one hand, and individual and organisational competency on the other.

## Your favourites may, of course, have been quite different.

**Please tell me what they were - and why.** In this way, I can give you more of what YOU want.



I have six nice bottles of wine sitting here in my office and if you are one of the first six to tell me what your favourite article was *and why*, then I will post a bottle to you in time for Christmas\* by way of thanks for your response and help. But your message must reach me by **Friday, December 14th**.

And what if you are #7? No worries, ALL entries that reach me by Friday, Dec 14, will be rewarded for the effort with some form of Christmas Cheer.

This will help “Strategic Asset Management” develop along lines that are most useful to you. So, please, help me play Santa’s helper this Christmas - *write to me* - by Friday, December 14. Address it to me at [info@amqi.com](mailto:info@amqi.com) with the word “Favourite” in the subject line.

\* I will post on Monday December 17. Overseas entries are most welcome but delivery may not reach you by Christmas - in which case, please in the New Year!

## 2007 IN REVIEW

*political interest in infrastructure;  
greater uncertainty;  
data no longer ‘an edge’*

In January, we predicted that the year would see a renewed political interest in infrastructure spending, greater uncertainty, and that collecting asset data would no longer be seen as a source of competitive advantage or superiority for it had become standard, an essential requirement. The task in front of us, we said, was to make better use of data. And so it proved. (207)

We also predicted the ‘end of finished staff work’ - on the grounds that any solution that you could accurately describe - because you had done it many times before - was almost certainly not the way we would need to do things in the future. We had to learn to leave our options open! *How did you fare?*

*community consultation*

Also during January/February we published a three part study on community consultation by Debra Hall in New Zealand. NZ, as most of you will know, has adopted community

consultation as a key plank in their new local government act. Communities that have been exposed to the full range of issues can be a marvellous ally for the asset manager, often making far better decisions - and more courageous ones - than any elected member would be prepared to chance. But the critical phrase here is 'exposed to the full range of issues'. Without this, the community can ignore the longer run consequences in favour of short run benefits. The more you genuinely discuss the issues with the community - as opposed to merely telling them your preferred option - the more support you may be able to draw upon.

### *viewing the longer term*

There is not so much difficulty in making short term predictions of what issues will be significant (one year out) but looking ahead 10, 20, 60 and more years presents considerable challenges. If we look back, even ten years, we would have had a hard job seeing some of the things that have now happened.

But one thing we could well have foreseen, and probably did, was the ageing of the population. Thanks to demographers, population change is pretty well known. They are able, with quite a deal of accuracy (certainly much better than our own!) to predict future trends in age profiles, immigration, household formation and even geographical movements - all issues that are very important for deciding whether to add to, subtract from or amend our infrastructure asset holdings.

Demographers, as in other professions, have their own specialities. For asset managers, a demographer who specialises in the impact of demographic change on local government is really valuable. And we were able to present the work of the demographer who is in most demand by all levels of government for demographic assistance - Assistant Professor Natalie Jackson of the Social Demography Department in the University of Tasmania. If you want to understand the big trends underlying population movement - and avoid getting carried away by the little bumps and dips on the surface - then read Natalie. (208)

### *data abundance*

Once we had very little data, then along came AIS and today it is easy to maintain great quantities of data. But that does not necessarily translate into better knowledge or better decisions.

With large amounts of data comes two problems: one, how do you get the best out of it, and two, how do you avoid being overwhelmed by it.

The second issue was addressed by Danny Azavedo in 212 when he considered the neglected role of intuitive judgement.

Throughout the year, we looked at the first problem of getting more value from data. For example, "More Value for your road data" in 209. But we also looked at the problem of collecting data in a useable way, and illustrated it with the essential task for all building asset managers of "integrating functional fit with condition assessment" in 210.

## *when data isn't available and time is short*

However, AIS only provide information for existing assets, and historical information at that. When it comes to questions of acquiring new assets, AIS often provide little guidance especially for large infrastructure items. To add to our problems, political necessity often requires us to make very large decisions on very little data in a very small space of time - a true recipe for disaster. How can we do the best we can under these very difficult situations? This is the problem we looked at in 213 "Difficult Decisions" where we looked at analysis of two stadium proposals to meet the needs of the 2011 Rugby World Cup in Auckland. Worth revisiting if you are in a similar situation of decision making.

## *Some articles were designed to warn*

Such as the Benchmarking issue (222) - how to tell whether the benchmarking proposal is one you should embrace - or avoid like the plague! 'An Asset Renewal Future Fund?' (220) - why putting money aside in a fixed account for asset renewal, which sounds so reasonable, actually won't work! 'Change your Thinking - to Change your Options' (Issue 226) - why we need to re-look and re-think degradation curves. If the answers to these questions are not immediately obvious to you, it could be worth your while re-visiting these issues.

## *Some articles introduced new techniques and ideas*

'Breakthrough' (215) and 'Service Centric Focus' (216), as well as 'Star Ratings' (225) are examples.

In 216 we show you how you can reduce your infrastructure gap - with NO capital and NO O&M expense - No, it's not all smoke and mirrors, rather a matter of correctly measuring your gap in the first place. Mostly we so grossly overstate the problem that it seems only an impossible amount of funding will 'cure' the problem. But the impossible amount is not forthcoming and so we do nothing. By correctly calculating your infrastructure gap, you can show that it IS do-able, and have a far better chance of actually achieving something!

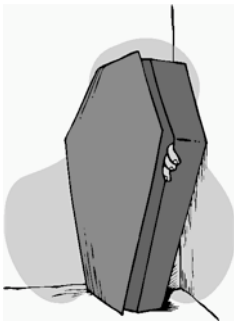
## *Some articles were designed simply to remind readers on established issues -*

Such as Peter Buckland's "Economic lives are a function of risk" (221) - an analysis that allows you to get a better handle on your economic lives; and 'Your First Plan is qualitatively different' (227) - how the first asset management plan captures the status quo, allowing you to move forward, miss this step at your peril. Also 'Asset Management Through Time' (217) in which we look at the pros and cons faced by Australia as it decided whether to adopt historic cost or replacement cost at the time of moving to accrual accounting.

*Some articles were designed to help asset managers communicate important issues*

Such as Jo Parker's "Tale of Two Pumps" 223 also on economic lives

## **ASSET LIFE - AND DEATH**



### **An asset can 'die' in many ways:**

It can physically fail - "*physical life*"

It can be overtaken by technological change or it can be impacted by regulatory or standards change - "*technical life*"

It can cease to be the most cost effective - "*economic life*"

It can be fully depreciated - "*accounting life*"

***Death is certain - but life is an estimate!***

*(from Strategic Asset Management, Issue 223)*

*Some simply provided information not easily available elsewhere*

Such as 'Learning Asset Management' (229) looking at some of the variety of asset management training and learning opportunities now available (and linked to the 'Course Listings' on the [www.amqi.com](http://www.amqi.com) website)

*But some issues were deliberately designed to be provocative ....*

and I am thankful to those who showed they were alive by writing back to me and commenting on them. "Think Triage!" (223) - for deciding which asset gets attention first. and "Performance Fundamentalism" (228) on overcoming the "I know I am right and I am not going to listen to any other view" attitude. (comment from reader)

*And one was just different!*

'The 'X' Factor' (224) Leo Gohier's interesting account of how the multi-disciplinary asset management unit in Hamilton, Canada, was formed. Not a dry, official, report but a story by a man passionate about asset management.

*Please reconsider - and enjoy! Penny*

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