

**ISSUE 236 March 10 2008**

For Practitioners, Policy Makers and Planners in Public Infrastructure



## **In the Long Run We Are All Dead!**

J.M. Keynes

This quote is often used to support the believe that long term planning is useless and that we should concentrate on the near term only. But that is to misinterpret the great Cambridge Economist.

The full quote is more revealing: In his General Theory, he said

“The long run is a misleading *guide to current affairs*.  
In the long run we are all dead.  
Economists set themselves too easy, too useless a task if in tempestuous seasons they can only tell us that when the storm is past the ocean is flat again.” (my emphasis)

**Asset Managers also set themselves a useless task** if all they can say is that if we spend more money (or maintenance and renewal) NOW, we will be able to face a calmer more sustainable future. It may be *true* to say that the aim of Asset Management is long term sustainability but it will not *motivate action*.

The purpose of this issue is to explore the getting and keeping of sustainability. I wish to argue that whereas Long Run Sustainability is the objective, the only way to get there is to focus on the Short Run Gains.

**Editor: Dr Penny Burns, AMQ International**  
PO Box 75 Salisbury South Australia 5108  
Telephone 61 (0) 8 8281 5795

Email: [amqi@amqi.com](mailto:amqi@amqi.com) Website [www.amqi.com](http://www.amqi.com)



## **Editorial: Direction Setting and MOTIVATION**

We all know that we *should* save and make provision for retirement, but when retirement is a long way off, the benefits are vague and hard to see. It is easy to indulge in wishful thinking (maybe we will win the lottery, or inherit from a rich relative) and so we put off the pain of savings for the pleasure of current spending.

*Yet it is not saving itself that is the problem.* If we have a compelling reason - a new car or a holiday for example - most of us are able to put money aside. The differences are that the new car or holiday are *short term* and also that the *benefits can be readily pictured* in our minds.

The same is true of diet and exercise. Health manuals are replete with the longer term health benefits - .....

Yet how compelling are they? Particularly when we are young and reasonably fit. We may start an exercise program but most fall by the wayside within 6 months or less. And good food habits can be sabotaged in far less time. (I speak from experience here!)

But if you have a short term goal - losing weight to look good on your wedding day, for example, or to impress a school re-union - you can usually do what is needed, for a short while in any case. Even more so if the goal is the avoidance of pain - a serious immediate health problem: for example, weight loss to enable an operation to take place.

So clearly it is not diet and exercise that are the problem. We are quite capable of taking the right actions when we are motivated by short term goals that we can clearly visualise.

But we are most unlikely to stick with these right actions in support of longer term goals that are vague, un-specific, and cannot be visualised.

### **Yet what do we do when trying to sell our elected members and senior staff on the benefits of asset management?**

Long term sustainability may be good, but it is 'motherhood' - in other words it is good but vague. *It has no motivating power.*

We need our long term plans to set our directions, but then we need to SELL our short term actions, the actions that will get us to our *long term goals*, but sell them in terms of their *short term benefits*!

### **In this issue we see how this can be done, but first - Are we our own worst enemy?**



*Are we our own worst enemy?*

## **What is asset management success?**

**Providing Service or Getting More funds?**

Many asset managers celebrate asset management success when they get their councillors or board to recognise that more money needs to be spent on repairs, maintenance and renewal. Or when they secure a sign-off on a long term renewal plan. Or when they gain more resources for their unit, more staff or perhaps a new AIS, or some new project is funded.

This seems to be a tangible sign that asset management is appreciated.

But if this is what we celebrate, we may be celebrating too soon and unwisely. Because we are defining asset management success by what we *get* - and not by what we *give in return*.

***We may be winning the battles, but we will certainly lose the war!***

This is because every time more resources are directed towards repairs, maintenance, renewal, planning or information, *less resources go somewhere else*. These lost opportunities start to pile up. The losers get resentful. They see asset management as a drain on resources, as an overhead that everybody would be best without.

Of course, it is self-evident that enough resources must be spent on maintaining needed services by way of maintenance repairs and renewals - *but how much is enough? Is money being wasted doing the wrong things, or the right things in the wrong way?*

If we are unable to sell the benefits to others (rather than to ourselves!) of what we do, we will encourage that idea that I often hear from councillors and senior management that

**“asset management gets in the way of what we want to achieve for our community”.**

This statement only makes sense if they see asset management as a drain on resources rather than as an investment that yields a huge return. As I hear this comment so often, it seems to me that we are not doing a good enough job of selling the benefits of asset management *It is important to note that the way we **see** asset management is related to the way we **sell** it.*



## Promoting asset management

What do you say the benefits are?

### Long term sustainability?

At dinner the other night we were talking about the excellent, well prepared and well produced AM training that my colleague and others had been doing across the country and yet, nevertheless, there was a lack of strong commitment on the part of the organisations involved and he wondered why.

'Tell me', I said, 'why *should* councils and others engage in active asset management?' Without hesitation he replied 'Long term sustainability!'. Now *I* can appreciate that answer and I am sure that readers of SAM can too. But it reminded me of that quote from Keynes that I have made the title of this issue - "in the long run we are all dead".

It is an answer that satisfies only those who are already true believers. But for convincing others...

### It is not enough!

It is a little like saying "Asset management is so self-evidently good, that I do not need to explain the benefits - short or long term - that justify the expenses we need to incur." Unfortunately that is - and will surely be seen as - arrogance.

### But at least it has the merit of being on the right track!

### What AM is not.

#### Asset Management is *not* Asset Information Collection

Often 'Asset Management' is confused with 'computerised maintenance management' or worse, asset information collection period. They are not the same.

Consider the following true story:

*Some years ago a council convinced its Elected Members to spend several million dollars on what they said was asset management. They did this by putting up lots of coloured pictures of assets, mostly roads, in a bad state of repair, all around the meeting room. I noticed that the first thing the Members did when they entered the room was to look for the roads and assets that they recognised or that were in their ward.*

*The promoter then explained how by collecting lots of asset information, the council could be more pro-active. "75% of our maintenance is reactive and only 25% pro-active", he said, "It should be the other way around!" I was the only one who queried this statement, everyone else took it as self-evident, but it is not. It all depends on the costs - and the benefits. But at this meeting no one looked at the ongoing costs of data collection, cleansing, maintenance and how it would be used. And definitely no one spoke of the benefits in quantitative terms to be compared with costs.*

*The Council decided to go ahead with the project, which was in fact a data collection exercise. For several years, and at the cost of several million dollars, the Asset Management Unit collected data and loaded it into the system. At regular intervals they produced standard printouts for the council. After about 18 months I asked these IT people how the information was being used by managers. They said they didn't know and it wasn't part of their responsibility! They just put out their standard reports.*

*Eventually, the Council decided enough was enough and pulled the plug on the project, saying "We tried Asset Management - but it didn't work!"*

*Other councils heard the final statement (but did not know the story behind it) and concluded that asset management wasn't worth it.*

**OK**, before you chuck rotten tomatoes at me, asset information IS an important tool for asset management - but tools by themselves don't DO anything. They have to be used, they have to be used *in the right way*, and by people who have service delivery objectives in mind. Which brings us back to the question....

## **Leading with Asset Management**

### **Identifying the benefits of Asset Management**

Here are some, I am sure you can think of more.

- good AM enables you to satisfy more community needs at less cost allowing the resources saved to be deployed to provide yet more services.
- good AM enables you to know where to spend your funds to get most bang for the buck (which assets, which regions, which services, which service levels.)
- good AM enables you to look the regulator in the eye! Records can show that safety, environmental, etc standards are being met. Good AM records can minimise accidents - and protect you against litigation on the few occasions where they occur. (This was a major selling point to the Board of British Waterways who were most concerned at what might happen if there were a major break in a canal.
- good AM reduces stress for employees, so reduces staff burnout and turnover, increases your reputation throughout the industry and makes it easier to attract new recruits.

- good AM avoids waste - and the unfavourable publicity associated with it.
- good AM enables options - rather than waiting until the asset breaks down irrevocably, you can foresee the probability of failure. If you can do this far enough in advance you have the opportunity to look at alternative ways of providing service, even alternative services. You are not panicked into committing resources to do the same old thing.
- - this is critical in times of rapid change. (follow the boy scout's motto: be prepared!)
- good AM allows you to not only to weigh up different options - but it also allows you to demonstrate to the community the benefits of the choice you have made. In this way it is a protection against small but vocal lobby groups.
- good AM enables you to respond promptly to criticism or media reporting and thus nip a problem in the bud.
- good AM means no surprises!

OK, that's enough, you get the picture. Or do you?



## Put it in the picture

Actually nothing on the above list is compelling enough *until it is illustrated*. Pictures, even word pictures, are essential.

So don't argue that 'good AM saves you money' - illustrate it! Point to a recent example of where sensible AM choices avoided an otherwise costly mistake. E.G. "If we had not had.... the chances are we would have done ..... and that would have cost twice as much".

But also remember that dollar amounts are not really compelling in themselves. Quote the figures by all means but then put it into context. E.G. "This means that we are able to fund the ..... without resort to borrowings or rate increases." Pick any recent project in the right ballpark. If you can't find one that matches the exact cost, or close to it, say "This means we have been able to fund 50% or 75% of the ..... without resort to borrowings or rate increases."

If you are able to provide pictures of the 'funded' project, so much the better. Pick a project that the councillors or board feel particularly pleased with. If it was funded by borrowings or rate increases, say that in future we could do projects 'like this' without further borrowings or rate increases.

**Be pro-active in selling the benefits.**



## Photo Opportunities

The reason that ribbon-cutting and photo opportunities are so compelling is not only that they give EMs a chance to shine - rather they are tangible proof that the EMs have achieved something! We all want to feel that we have achieved something, that we have made a difference.

I once asked an engineer why the engineers I knew were such amiable, cheerful, people. He said simply “Well at the end of the day, we can see what we have done!”

Most of us do not have such tangible proof of our accomplishments!

So if we want EMs to give priority to good asset management (as opposed to mere construction), it helps if we can **provide tangible proof of the benefits.**

The more concrete you can be in selling the benefits of asset management, the more successful you will be in being granted the funds to go ahead!

## Take a tip from those who solicit funds on a global basis - charity organisations

They could ask you for money to ‘reduce poverty’. That is a nice *long run* goal but it is not nearly as *motivating* as saying ‘And for \$10 you can buy a family a goat that will provide milk and maybe a little extra cash revenue’ Or “For \$20 you can buy a sewing machine that will allow a woman to set up her own business, provide for her family and be independent.’ These are compelling stories just in words, but with a picture of a goat in the arms of a child, or a sewing machine in a small business setting, they are doubly so.

You can do the same. You can **sell the benefits** - and you can **sell the avoided pain.**

## Avoiding Pain

### How not to do it.

Forecasting doom if money is not forthcoming has long been the favoured means of trying to get decision makers to provide increased resources. But we have done this so much, it has lost its persuasive power. “Unless we get more money for our buildings there will be a break out of Legionaire’s disease” This argument was actually used some years ago.

The money wasn’t provided and we did not get the breakout of disease foretold. So decision makers, not unsurprisingly, now regard these ploys as ‘the boy crying wolf’. But the real problem with this approach is that it is not specific enough to generate a really concrete picture in the minds of decision makers.

## **A better way.**

You can use this argument most successfully if you **point to a recent local catastrophe**, still fresh in the minds of your decision makers and can make a clear link between your asset management program and the avoidance of such problems in the future. *But the links must be made.* They cannot be assumed - or like the boy/wolf story above it will lose its effect.

This can be most effective in supporting the “No Surprises” benefit - point to a recent case where the board/council was required to provide large funds, without warning, because of a problem that with good AM could not only have been foreseen but avoided.

## **In Summary:**

- **Let long term considerations set your directions but**
- **Sell the short term benefits to motivate action toward your longer term goals**
- **Make these benefits compelling visual pictures, bring them to life, make them concrete, tangible.**
- **AM Success is measured by your achievement of organisational benefits - and not by the size of your budget!**

## **Too difficult?**

Would it not be easier to forget about benefits, forget about promoting asset management, and simply have asset management processes mandated? Make it obligatory for Elected Members to do it?

New Zealand is a good case study. For almost 10 years, it encouraged asset management plans but did not make them compulsory. However in 2002, with the introduction of new local government legislation, asset management planning was not only made compulsory but many processes were specified in great detail. How has it worked? We look at this in the next issue **“The Right Debate”**

Note: “Re-View” will return in the next issue.