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Managing Urban Infrastructure

SERVICE LEVEL CREEP and other tactical issues

Why it is important to fill that 'missing middle' 2.

service level creep and its not-so-well-natured cousin 'packaging' have important implications for Strategic Asset Management.

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to address the problems of the 'missing middle'.

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Colin Jones, Hobart CC, joins me in a discussion of tactics.

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John Alcott, NZ, shows that star ratings DO work for roads.

Errata: In the last issue I attributed the outcomes statement on Page * to the NZ Government, actually the Australian Federal Government can claim responsibility for the outcome statements.

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Editorial: Service Level Creep

At his last school, surplus capacity was up around 45-50% and the school principal approved the use of one of the vacant classrooms as a drop in centre for parents and carers. Now he was on the council for another school. This one was in a growth area and had no surplus capacity, but when apprised of the idea of a drop in centre, the other council members thought it a good idea. School extensions were being designed at the time and during negotiations, the school agitated to have a drop in centre designed into the new building. In his next school design, the designer included a drop in centre. Now what had begun as a good use of surplus capacity, a “one off”, had become a new standard.

Who approved the ‘new standard’? In all likelihood, no-one. When was a conscious decision on the new standard taken? In all likelihood, never. Was the corporate level (in this case the Education Department) even aware of the change? In all likelihood, not at all!

This is service level creep. Everyone defends it. Why wouldn’t they? ***A better service at no cost is what we should all aim at.*** But what is a better service at no cost for a ‘one off’ is not the same thing when applied across the whole portfolio. What we need is a way to encourage cost free opportunities to flourish without imposing a cost burden where cost free opportunities do not exist.

But first we need to be aware of it! This means, of course linking cost of service with levels of service for all projects. As Dean Taylor pointed out in discussions I had with him on this subject “Not linking Cost of Service with Level of Service *at the point where those that benefit are impacted by the marginal cost increase* creates the opportunity for SL creep.”

Until we establish this basic decision making platform then ALL our investment choices have the potential to have a least a degree of fat in them, and what’s more, we probably won’t even know! DT.

Packaging

Service level creep may be innocently arrived at. Not so ‘packaging’. This is the case where project proposers deliberately put together a bundle of activities where, while the overall benefit to cost ratio is positive, there are elements within the package with negative net benefits. Without them, the total benefit:cost ratio would be even greater. ‘Packaging’ is used to get approval for those elements that the project proposer wants, but cannot justify.

Both ‘service level creep’ and ‘packaging’ are tactical asset management issues, with serious implications for Strategic Asset Management.

Why you need a CORPORATE asset manager:

In most asset heavy organisations we find the following main functions:

- Executive and Council / Board;
- Infrastructure Operations (O&M);
- Community or Customer Services;
- Planning (or Investigations and Design); and
- Corporate Services (Finance, Legals, etc).



The names may be slightly different in your organisation, but these are the basic roles.

If we think of the main roles of each of these, we see

DIRECTION SETTING is the role of **Executive and Council / Board**. This is where the desired *asset outcomes* and *community outcomes* are decided.

ACTION (getting the job done) is the main role of **Infrastructure / O&M** (with respect to assets) and **Community/Customer Services** (with respect to services, most of which also use assets in some way).

Planning and **Corporate Services** support corporate decision making

Now in between **DIRECTION SETTING**
and **ACTION** are **two critical functions**.

(1) The Missing Middle, a.k.a. Tactical Asset Management

One is what I called in the last issue 'the missing middle'. It is the tactical level of asset management. The level at which the broad asset outcomes and community outcomes desired by Executive and Council are 'made operational'. This is not a job that can be done by any one Role or Function alone. It is an iterative process that requires weighing up *what is required* (community/customer services), with *what is possible* (infrastructure / O&M) with *what is affordable* (finance). At the tactical level all Roles are responsible. But it is well known that when something is 'everybody's responsibility' it ends up being 'nobody's responsibility'. **Unless someone is assigned to make sure it happens, it generally doesn't. Hence, the "missing middle".**

(2) Corporate Wide Information to Support Corporate Direction Setting

Information to support an individual business unit or department / role is reasonably the responsibility of that unit. But information required to support corporate direction setting that *transcends* the individual unit or directorate, is another matter. **information that requires the combination of information from two or more directorates or main role functions, and/or analysis from a corporate perspective, is a corporate level responsibility.**

Corporate Asset Manager

I suggest that these organisation wide functions are logically the responsibility of the **Corporate Asset Manager** - they don't fit in anywhere else!

Such a corporate asset manager would take responsibility for:

Managing the Middle: facilitating the development of clear service level statements (with costings) that can be easily understood by both the Corporate Level (for approval) and the Operational Level (for action). This also includes the development, where necessary, of corporate wide policies, standards, and procedures for asset management to ensure consistency and increase the level of certainty for all business units.

Provision of Corporate Information: this includes (1) the development of city wide renewal forecasts that take into account not only the physical condition of the asset but also the functional requirements brought about by changing technologies and community demands; (2) the management of an investment logic map and business case framework for new works; (3) the generation of independent asset initiatives, such as researched discussion papers on organisation wide asset issues, such as 'hire or buy?'

Why a Corporate Asset Manager?

The danger when no-one is in charge of these two critical functions, is not that they won't be done, but rather that they *will* be done, but *not in a corporate fashion*.

The standard definition of Asset Management (as adopted by the IIMM and NAMS Plus in Australia) is

"The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing **the required level of service** in the most cost effective manner."

If we leave "**the required level of service**" undefined (as is unfortunately all too common in most organisations) then officers will have to 'fill in the gap' and create their own definitions. *It is the only way they can operate!*

Without service levels defined, we are actually not doing asset management at all!
(We just go through the motions)

Community or Customer Services equally cannot do their job properly in the absence of clearly defined service levels. In their absence each operative *will* have to *invent* his or her own. For the most part these individual definitions are not documented, not written down, not verified - and in most cases, not consistent with the similarly undefined service level assumptions of others! And corporate level information needs to be independent of the focus on individual business units. Even well intentioned officers necessarily see the world more clearly through the prism of their own knowledge and interests.

So, for independence, consistency and clarity of service levels and corporate level information - consider A CORPORATE ASSET MANAGER.



At the NAMS NZ breakout session on STAR RATINGS, I noticed that many were having a hard job coming to grips with

- what exactly star ratings were,
- how they differed from what they themselves were currently doing and
- how they could be used.

Two issues, in particular, caused trouble.

1. Star Ratings and how they differ from User Satisfaction
2. Benchmarking with Star Ratings

Colin Jones, Hobart City Council, has helped me by articulating a number of the points of view that were raised at this session.

STAR RATINGS AND USER SATISFACTION, what's the difference?

Proposition:

The STAR rating concept and associated criteria needs to be directly associated with the perception of the customer in terms of what they expect from the service. In this regard, it shouldn't matter whether the service relates to an isolated asset or network of infrastructure.

To use your roads as an example. If you ask Joe Bloggs off the street what he values and expects from a transport system, you would expect something like the 4 C's:

- Convenience: I want to access the network when and where ever I want to and get to my destination with minimal delays in the time expected.
- Comfort: I want to traverse along pleasant surroundings, arrive unstressed and not shaken or stirred.
- Care: I want myself, my passages and my belongings to arrive at the destination in no worse a condition than they started the journey.
- Cost: I want to be able to afford the expense of the journey.

From this analogy, a 5 STAR service would deliver these outcomes. Then in terms of infrastructure, what does this mean?

Example 1: A mother picking up her child from a local school in the country. A well maintained gravel road I suspect would deliver a big tick against all the C's. Result = 5 STAR service.

Example 2: A mother picking up her child from a local school in a large city. A newly built 5 lane freeway clogged up with 10,000 vehicles on a 40 degree summer day with power cuts

deactivating traffic control devices. Result = 1 STAR service and I bet you wouldn't be game to interview the mother in relation to her level of satisfaction.

In the above example, does the spanking new, multi-lane freeway deliver the service requirements above? Are there other mechanisms of delivering the requirements?

My Response

In ordinary speech, we might say that something was "a 5 star service" if it did just what we wanted it to. And a "2 star" service is one that falls far short. Since what I want will very likely differ from what you want, to use the term 'Star Ratings' in this way would amount to nothing more than to ask people how satisfied they were with the service - high satisfaction would be the same as '5 Star' and a very low satisfaction, the equivalent of a '1-2 Star'.

However, while satisfaction surveys can point to areas where service might be improved, they can't tell us what exactly is failing to give satisfaction, nor do they tell us what we can do.

Where star ratings are an improvement over satisfaction surveys is

- (a) detailed listings of attributes are available to both USERS and SUPPLIERS
- (b) each attribute is weighted for importance according to the development team - and the weightings *are then documented and can be seen by others*
- (c) each attribute is evaluated by the development team - *and the evaluation is documented and can be seen by others*
- (d) the actual STAR RATING is calculated by summing the weighted attributes. It is, in effect, an index figure.
- (e) The Star Rating figure can be adjusted (up or down) by operating on any of the attributes, and in any number of ways - from a maintenance to a capital to a usage to an administrative solution. This means that there are a large number of possible ACTION OPTIONS generated by the Star Rating. Each option can be evaluated in terms of costs and benefits. And you can't say that for satisfaction surveys.

Critical Issue Raised: Customer Perspective

The critical issue here is that customer perspectives are essential for good Star Ratings. It is not enough to develop them using only inputs from asset managers.

Best Practice Process?

I would suggest that Star Ratings be developed with representation from the Customer Service Units as well as from Operations and Maintenance. Both the user and the asset supplier perspectives need to be included. From the User we understand what attributes of the asset provide a valuable service, from the Supplier we understand what different options are available to improve the service.

(Note: If you have a large and diverse asset management team, you may find that each, wearing their 'user hat' can contribute a great deal to the Star Ratings work. But to be on the safe side - use your Customer Service people, after all, that is what they are there for!)

BENCHMARKING with Star Ratings

Star Ratings are, of course, used to benchmark hotels, restaurants - and even, as we have seen, (e.g. Beijing's 5 Star Toilets for the Olympic Games) public toilets.

In the group discussions I attended, there was unease from people concerned that a desire to benchmark local government services would lead to standard sets of attributes and weightings being applied to all councils, which would rather negate the *raison d'être* of local government to be responsive to their own local communities (and thus weight the attributes according to local rather than national perspectives.) Benchmarking *within* a council area is different from benchmarking *across* council areas.

There was a fear that if a council responded to its own constituents to provide an appropriate service level but a neighbouring council chose to provide a higher level, that politically they could be seen to be wanting. This fear is not entirely unwarranted!

My Response?

Compare the Star Rating details for both councils. Maybe the neighbouring council has found more effective ways to raise its overall service level. In which case, you can learn and adopt and adapt. Or maybe it is simply choosing to spend more money - a political decision. The point is, that having compared the Star Ratings, you have information about the services you didn't have before.

Colin's Response?

The benchmarking discussion seemed to have skipped one important stage relating to the definition and packaging of services.

I note that the former Maroochy Shire Council, and now Sunshine Coast Regional Council, has defined some 50 separate service classifications.

Our preliminary list has identified in the order of 130 services which are included within our annual plan. This may reduce significantly if we package them.

Surely before we consider benchmarking standards a common recognition of service categories needs to be established. I could only imagine the time that would be spent resolving these issues amongst the relevant local government agencies. How does 10 years sound?

We can't wait that long – besides I'll be retired by then. My advice would be to press on based on your own local parameters with the understanding that some adjustment may be necessary in years to come if a national standard was established. At least you would have gone a long way in generating the culture, internal processes and relationships with your customers.

Our Conclusion? Just get on and do it!

You will learn much about what really provides value to your customers and the various ways you have of cost effectively increasing service. And you will be able to explain yourself

to the Board/Council/CEO
to Users / Ratepayers
to the Asset Management Team



FEEDBACK: Star Ratings Applied to Roads

In the last issue I said that I had doubts about whether star ratings, which work so well for portfolios of individual assets such as buildings, could also be applied to networks. **John Allott, Financial and Management Services, NZ** thought that they would work well for Networks if used as a tool for comparing the service between geographical areas or catchments, specifically to show equitable service across the whole community.

He suggested that if you look at a city report, the KPI are often reported city wide or whole system, rather than by sub system. A star system provides a mechanism to inform the governance body of how comparable the service is across the whole community.

And he provided a link to the KiwiRAP website where Star Ratings are being used to measure the safety of individual road links. http://www.kiwirap.org.nz/star_ratings.html

KiwiRAP is the New Zealand Road Assessment Programme. It is part of the International Road Assessment Programme, otherwise known as iRAP. Similar road assessment programmes have been implemented in Europe (EuroRAP), Australia (AusRAP) and the United States of America (usRAP). Developments are underway for a programme in Africa. The objectives of KiwiRAP are:

- * to reduce deaths and injuries on New Zealand's roads by systematically assessing risk and identifying safety shortcomings that can be addressed with practical road improvement measures
- * to have risk assessment as a key factor in strategic decisions on road improvements, crash protection and standards of road management
- * to provide meaningful information on where the greatest levels of risk are faced, and in turn to influence behaviour.

Star Rating is the third 'protocol' of road assessment programmes. An inspection is undertaken, examining the engineering features of a road link. Engineering features include lane and shoulder width of the road, the presence of safety barriers and the existence of roadside hazards. Each engineering feature contributes to the likelihood or severity of a crash on a road link. Between one and five stars are then awarded to the road link depending on the level of safety which is 'built-in' to the road.

Having published the KiwiRAP Risk Maps in January 2008, the KiwiRAP partners will now look at the process of inspecting New Zealand's roads, assessing their engineering features and awarding a star rating for each road link.

Transit New Zealand has committed funding for the production of star ratings for New Zealand's state highways. The star ratings will be published in 2009.

If you would like to exchange thoughts with John, you can find him at j.allott@xtra.co.nz or 64 6 353 2052