



AMQ INTERNATIONAL

STRATEGIC ASSET MANAGEMENT

A compelling case for asset management

A reader in the USA asks whether I have a 'case for asset management that is compelling for the reader'. Now you can make a compelling case by persuading your audience of the benefits that will arise *for them* by having asset management - *the positive case*; or by making clear the great difficulties that will occur *for them* if you don't have it - *the negative case*.

In this issue I have done both.

The positive case is a presentation I designed for directors and managers of a New South Wales council who are about to embark on the asset management journey. Because of the audience it was designed to be short, sharp and shiny. It takes no more than five minutes! See what you think about it.

The Positive Compelling Case: "Asset Management: why you want it, and what you have to do to keep it." on pages 3-4

The negative case is still under construction. But here is the essence; the major factors - and illustration via a recent Coroner's inquiry that was reported in the press as a failure of asset management, and worse.

The Negative Compelling Case: "Human Error!" on pages 5-8.

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Editorial: A compelling case

Too often we try to convince others of the importance of asset management by talking about what we do, rather than what our organisations and our customers get. I know I have spoken about this before but I still see asset managers who present detailed AM primers in support of the worth of AM - but fail to talk about what their audience is going to get.

Sure, life cycle costing is a valuable tool, but that is mechanics. It is about process, not about the outcomes.

We can take a leaf out of the books of the advertising gurus - sell the sizzle. So seldom do we talk about how good asset management will make us **feel**. Yet the feeling of being in control, of being competent, of the confidence that comes from knowing what we are doing, is perhaps the greatest benefit of all.

And this extends to our customers and ratepayers as well. I was struck by the goal of the council that is the subject of our second story here (pp 5-8). It said that it aspired to be a council that the community thought well of. That, perhaps, was not so exceptional. But what really caught my eye was the following blunt statement - "It isn't now". A council that is willing to put both the aspirational goal and the current state of affairs on the main wall of their entry foyer seems to me to have a good chance of achieving what they aim at.

How do you feel about your council? I am proud of mine, and it makes me feel good to talk to others about its far sightedness and the good quality of its facilities and services. That good feeling is a benefit my council provides to me. Intangible perhaps, but a real benefit nonetheless.

As always your comments, suggestions and questions are highly regarded and ever welcome.

Consider and enjoy!
Penny

The POSITIVE COMPELLING CASE

Penny's 5 minute condensed guide to

ASSET MANAGEMENT

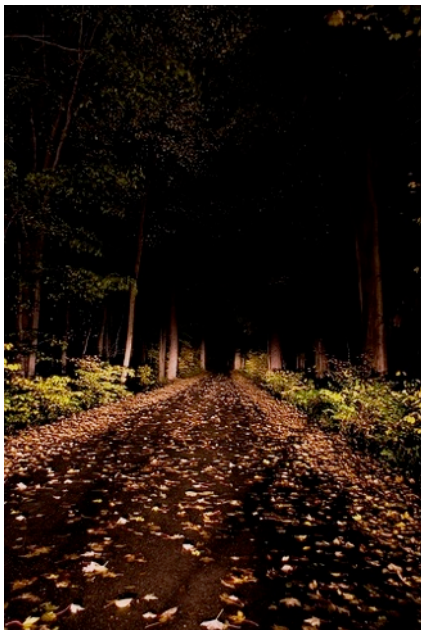
**- why you want it,
and what you have to do to keep it.**

First the client focussed definition

Asset management is a series of process and information improvements that enable you to see not only the likely consequences of the decisions you take today - but also of the actions you don't take.

With this knowledge of consequences you can make better decisions. You may not have enough money to do everything, but you can be confident that the things you *are* doing are of greater value to your community than the things you are not - *and* you can demonstrate this to others. AM protects you, and it protects your councillors, from lobbyists and those who would have you spend council resources in sub-optimal ways.

The key word is 'consequences'. When you can tell what is likely to happen next as a result of the actions you take today, you are able to make better decisions. And when you are able to demonstrate this to others and gain their support, life becomes much more enjoyable.



Without asset management, you are operating in the dark. It's like driving at night with your headlights showing you just a few metres of the coming road.

You are only able to see a little way ahead, and all of your decision making, whether on short or long term goals, is constrained by having such a short view.

You move cautiously, never quite sure what those shadows mean, or what is coming next.

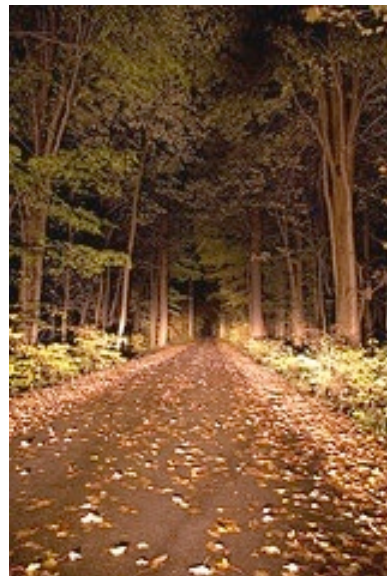
And you can easily miss your turning and have to make course corrections.

Introducing asset management is like switching on your high beam.

Suddenly, with a better view of the likely consequences of your actions, you can now see a long distance in front.

You can move forward more confidently, make better decisions, avoid potential problems, because you understand the likely consequences of actions and inaction.

This is exciting and it is not difficult to see why asset management creates evangelists.



But caution! This high beam stage is unstable!

Any approaching vehicle (read 'difficulty' or 'problem') can force you to switch them off!

When you start AM, you adopt *generic* assumptions about asset lives and desired service levels. This gives you your 'great leap forward'. Enables you to make progress quickly.

But 'easy come - easy go'! When things get tough your organisation needs to have full confidence in the reliability of your system and processes and this means you need to 'customise'.

To do this you need to work with your community to develop service levels that are widely understood and accepted and from which you develop costs and standards that can withstand criticisms.

Your asset data needs to reflect these service levels and to demonstrate the reliability that comes from documented, efficient, update mechanisms. Your asset lives need to reflect your own local conditions and known maintenance histories. And you need robust processes to ensure that all new asset acquisition reflects your strategic directions.

This takes effort, commitment - and time.



However, once you do this, your Asset Management is like a Satellite Navigation system.

It can analyse all the options and choose the optimum course.

This is the stage of **asset management leadership**. And when you get here *you won't want to stop*. Asset management improvement for the benefit of your community will simply be the way you do business and you will enjoy *always seeking to do better*.

The NEGATIVE COMPELLING CASE (under construction)

Not yet down to a 5 minute condensed version but here are the major elements:

- The media have discovered that 'asset management' exists; they may not know exactly what it is but they know it is newsworthy.
- Senior levels of Government have recognised that asset management - or, more precisely, its absence - is a weapon that they can wield
- Meanwhile, staff are at risk if their diligent work is not acted on and if needed information is missing or mis-recorded
- And the community is at real risk of the assets failing

Exhibit A: Human Error!

'Human Error' was the Coroner's finding in March 2009 on the collapse of a culvert on the Pacific Highway that caused the death of a young couple and three children.

The story is this: In June 2007, during a wild storm, a section of the road collapsed causing a vehicle with 5 people to plunge into the flooded creek below. They all died. The cause turned out to be an unlined culvert that gave way.

The subsequent coroner's investigation revealed that:

- The council had been aware of the problem with the road as early as 2002 and had prepared an estimate to reconstruct the entire culvert but that details were never entered into the record management system.
- In 2004, pavement repairs triggered a request by the council's asset manager to ask for quotes for concrete lining of the culvert with tenders called. But again, the information was not entered into the record system and no follow-up action was taken.
- Emails with quotes for roadwork that may have averted the collapse were not considered official records and were not recorded.
- A key finding of the review was 'that at the time of the road collapse council's inadequate reporting practices led to a failure to identify the critical need to upgrade some of its key road infrastructure'

- Both local papers reporting on this tragedy acknowledged the report's finding that the council now had good asset management practices but reported that they were inadequate at the time of the accident.

The Central Coast's 'Express Advocate' reported the mother of the young woman whose family perished as saying that she hoped the people who made the human error think about it every night. 'We certainly do. They have destroyed our family'.

And how might this case be developed? Here are the ideas and thoughts I am working on - you may have others and, if so, I would be delighted to exchange ideas with you.

1. The Media

All reporting on this subject seems to have accepted that council's asset management recording and procedures are now 'best practice'. This, in fact, is part of the report into the accident. Without taking anything away from the quality of the procedures themselves, my question is **'how did council convince the inquiry - and through it - a sceptical media, of their best practice?'**

Well, I happened to be in the general area and called in on the council.

The first thing to be noticed is that the asset manager and his director were extremely open, articulate, knowledgeable - and enthusiastic about asset management. In other words, they 'presented well'.

The second thing was that they had fantastic graphics! They are to be congratulated on the quality of the presentation of their asset management charts, plans and process maps.

They knew that the words and pictures were not, by themselves, asset management, but clearly they had *learnt how to communicate*.

You may think that your processes are really good, but trying to communicate what you are doing in pictures, as well as words, is a good test of understanding.

And this, I would suggest, is a necessary life skill for today's asset manager.

Note: If you have your Asset Management processes demonstrably in order and you can speak knowledgeably on the subject, it reflects in more even press coverage. For example, here is a second culvert in danger in the same council area. The cracks are obvious and have been known for some time. Normally you would have expected the press to have had a field day with this, in the light of the previous accident. The Sydney Morning Herald reported the consulting engineer's findings, made some criticisms of the council but then tempered their report with the recognition that the cost to repair the problem was high relative to the annual budget; they quoted figures, comment by other councils and recognised that a large part of the problem was roads handed over to councils by the State Government with insufficient maintenance funds attached.



Fair and even handed media coverage is what we should all be aiming at.

The existence of a problem somewhere else does not, of course, excuse your own poor practice. So I was less than than charmed by the Mayor who said that 'the lesson learned was to not accept responsibility for State-owned roads without an accompanying full safety audit.' Yes, an important point but not the only one. However, in the light of the eagerness of higher levels of government to seize on examples of poor practice to impose more regulation, it is understandable. So let us look at this.

2. Control from Above

The Coroner recommended that an inquiry into council practices be implemented by the State Government and new systems now being implemented are being monitored by the State.

3. Staff are at Risk

Every day diligent officers are observing potential problems, 'accidents waiting to happen'. It may not happen now, it may not happen for 5, 10 years or more. Or it might not, if you are lucky, happen at all. Trouble is, the cost of fixing all of these potential problems is usually ten times or more than the possible budget. So, not all of them will be fixed. And, eventually, an accident may happen. When it does, is it fair that these diligent officers should lie awake at night concerned that they 'could have prevented this accident from happening?' Of course, not every officer is diligent, but those that are need to be protected.

Do you want to subject your staff to the following abuse?

Internet comment on the report of the accident

“Too little too late. Good to see our rate money going towards incompetent council workers who hide behind their computers pretending to be busy. And when the accident did happen they actually had the nerve to try to pass the blame to the state/federal govt. This accident should not have happened. For the lazy workers who didn't do their job properly, how do you sleep at night?”

Is it a case of 'lazy workers' or did the system fail them? Unless your system is sound, how would you know? More especially how can they demonstrate their diligence to the outside world.

A poor asset management system puts your staff at risk.

4. Community is at risk

The community is at risk, not only of loss of life or severe injury and the loss of loved ones, but the community also misses out if it cannot have confidence in the decisions of its council. If it feels that it cannot trust those decisions to be the best that could be made in their interests, then arguments that an insufficiency of funds limits what can be done will be seen as an excuse. And even if ratepayers are prepared to pay more for a higher and safer level of service, they will not feel that they can trust their council to use the money wisely and so will not be able to get the service level they want and are willing to pay for.

So, Without Good Asset Management..

- You are at risk of spending much of your time and effort fighting off bad press and you don't have your community on side when things get tough
- What time is left is spent being accountable to higher levels of government on your performance, rather than in improving that performance
- Your staff are at risk, there is low morale - and this in turn affects both performance and relationships with the community
- And your community is at risk, not only of the obvious dangers from asset failure itself but from the lower levels of performance that are part of the vicious cycle of mistrust.

Now - cheer yourself up by returning to page 3 and re-reading the POSITIVE COMPELLING CASE!