

Where we left the story in the last issue:

Graham Holland, British Waterways, had argued that asset management in the future would need to be very different than it has been until now. He had shown how asset management had developed in a period of relative stability and in an environment of growth and how it now needed to cope with instability and low or no growth.

For this to happen, we need a vision to guide the changes needed and at the end of the last issue, there was this all important message:

If we want a vision relevant to asset management we must get involved. There has to be real excitement embodied in the Vision about the benefits for our business and customers from improving asset management. Start with a view of where we want to be in 10 or 20 years, and what outcomes we want to deliver, and then work back to where we are now. Our asset management strategy is about how we get there and what things might affect the journey.

How? Read on.....

And, of course, consider and enjoy! Penny

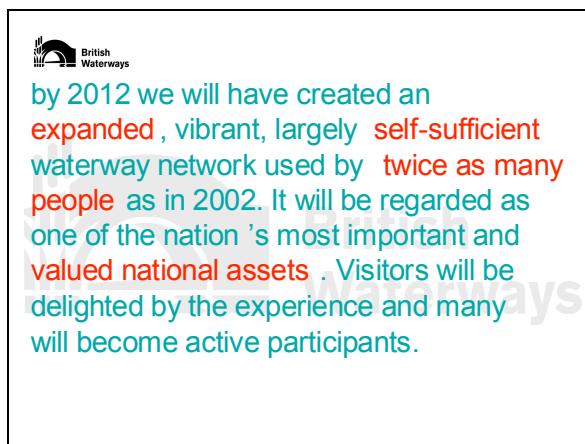
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A Compelling Case for Vision. Part 2.

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My organisation has a vision, set in 2003. Things were looking good then.

Let's pull out some key words – expanded, vibrant, self sufficient, doubling of visitors, valued national asset. These words were important for our asset strategy. An expanded network meant more km of canal, more new assets, higher maintenance standards. Largely self sufficient meant we had to drive more income from our assets, our land, and our customers. But the reality of the last 6 months is making us look at this anew.

Can we really believe in continued expansion when money will be tight? Can we believe in self sufficiency when Government is looking greedily at selling our property portfolio. Can we expect continually increasing numbers of boats on our system in these harsh economic times.

So we now need to revisit the Vision.

We need to give it a reality check and perhaps adjust it to reflect the new realities. Our Asset Management Strategy will need to change to match this.



Don't get me wrong - there are opportunities out there. You've had your Olympics, we are just building for ours. BW will certainly benefit from work to upgrade canals around the site. Infrastructure will improve in London and elsewhere because of the games.

And whilst we've looked at negative effects of climate change like water shortages, increased weed growth, more flooding, we've also seen positives. We expect an increase in numbers of people holidaying in the UK, enjoying more predictable and drier summers.

We've got proposals to generate 10 times more energy than we use by wind turbine, and mini-hydroelectric schemes. This will mean many more high tech, shorter lifespan M&E assets for me to manage than I have now, to be managed alongside a stock of 200 year old very low tech assets. This long term view is important, but we have to ride out the current difficulties, lower returns, visitors with less cash to spend, fewer and smaller pots of external funding. It's going to be a whole new ball game.

Lets look at some more visions



Yorkshire Water in UK

Yorkshire Water is a regulated water utility, serving 2 million households and 130,000 businesses in England. It was 1 of 10 water authorities created in 1973, and privatised in 1989.

During the 1990s, they were facing price reviews, competition, increasing expectations. To top it off, a 1995 drought drove public perception of them to an all-time low. Failure to invest and lack of asset management skills, and then reservoirs in the W of the region ran dry and water had to be taken by convoys of 700 tankers per day from the E of the region, costing £3 million/week. Customers on standpipes, restrictions in place. It was voted most hated water company in UK

How had they got it so wrong? Operational teams were "depot based", they organised their own schedules, paper based network maps, local practice abounded, resource management was impossible. And a huge backlog of work, no feedback to customers, asset and service data inconsistent and poor quality. They couldn't possibly see the big picture. Simply put - they had failed to adjust to the new competitive markets.

They had to turn the situation around. First they consulted their customers. Answers around reliability of service, responsiveness, and efficient problem resolution, formed the basis of their new service and asset strategies. They adopted a very simple vision "to be Clearly the Best Water Company in the UK".

They looked at all factors preventing it achieving its vision and fixed them. 2 things had to change, customer satisfaction levels and asset strategy. They became customer centric, adopted superior levels of service, higher water standards, environmental quality, and operational efficiency. They re-engineered their processes and data quality. They invested in new IT, a mobile system for field staff, and a new asset performance system.

The effects were amazing. A 50% reduction in unnecessary field visits, complaints down 60%, savings of £12m pa. They met or exceeded every target set by the Regulator. Performance turned around so much that the company was awarded "Utility Company of the year" three years in succession.

No-one else has won it more than once.



Here’s one from a regulator - Ofgem

Ofgem, the UK Electricity Generation Regulator has a vision of securing Britain’s energy supplies, promoting competition, more investment in networks, helping curb climate change, improving the environment and helping vulnerable customers.

As regulator it has to ensure that the gas and electricity companies build the vision into their strategies. This includes ramping up of investment in generation and distribution, climate effects like wind loading or storm damage, changing demand and generation needs due to warmer summers and milder winters, an ageing workforce (25% retire in next 10 years), offshore generation challenges, fears over security of supply. To help, Ofgem has initiated a project looking forward to 2050 to ensure what we build today is adaptable and sustainable.

The project asks questions like – what effect on asset strategy will small scale local generation have (already happening), more coastal nuclear sites, more offshore generation (happening), local energy storage in batteries in the home or car, smart metering, efficient technologies, changing lifestyles and so on. It’s an excellent example of forward thinking that will govern regulation for many years.



By contrast London Underground also has a vision.

But I'm not sure their asset management strategy is currently aligned to this. It's complex with 170km tunnels, 280 stations, 4m passengers per day. 50% of their infrastructure and track assets are over 40 years old, and some much older. They've unreliable signalling, old trains, poor track, uncomfortable temperatures, overcrowding all leading to low customer satisfaction. Years ago LUL forecast a 30% increase in capacity needs in the next 15 years, based on simple projections from the late 1990's. They planned upgrades for this. Then they locked themselves into 30 year PPP contracts to deliver these improvements, with contracts supposedly transferring most risk to the 3 PPP companies.

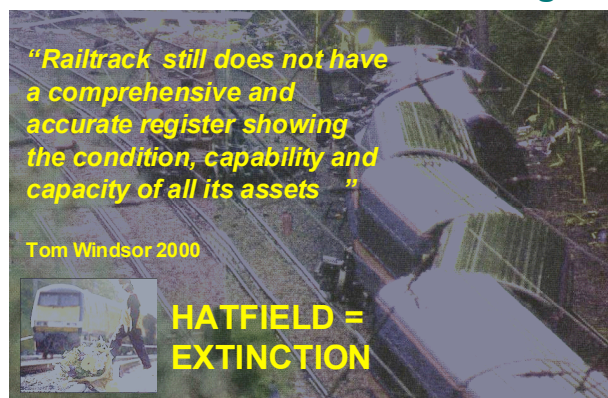
Now they're having to re-consider. New housing in London has stalled, there's uncertainty over future traffic levels, commercial capital is unavailable to the PPP's, and since they did their plans, London has the 2012 Olympics. Big changes to their original calculations. Coupled with this is doubt about the PPP's. One of them, Metronet, has already had severe difficulties and contracts may need to be renegotiated. Criticism has been rife about failure to meet maintenance and renewal obligations, but LUL's sanctions seem extremely limited.

My personal view is that LUL had a vision, but lost full control of their asset strategy in the rush to PPP outsourcing. Risk has not been fully transferred to the private sector as expected, and the PPP arrangements are probably the most complex imaginable. I believe that they need to regain control over their asset management strategy as the first step to achieving their vision.

Now let's look at how disasters can drive change and what happens when we get it wrong

You might recognise this one. For years, Railtrack had been getting it right. Safety had improved, trains more reliable, passengers had a better opinion. But in 1999 a couple of train disasters had a devastating effect. Railtrack went under because of failings to control the management of its assets, failure to prioritise work against risk, and to the media frenzy when people got killed because of it. They didn't communicate well and took a very defensive attitude.

When We Get It Wrong



My organisation has had a few incidents due to poor maintenance, vandalism, or even stupidity of our customers.

Fortunately there have been few deaths. But a near disaster in 2007 put us under the spotlight, we had to manage media communications carefully, and we had safety and regulatory bodies crawling through our asset strategy for evidence of incompetence.

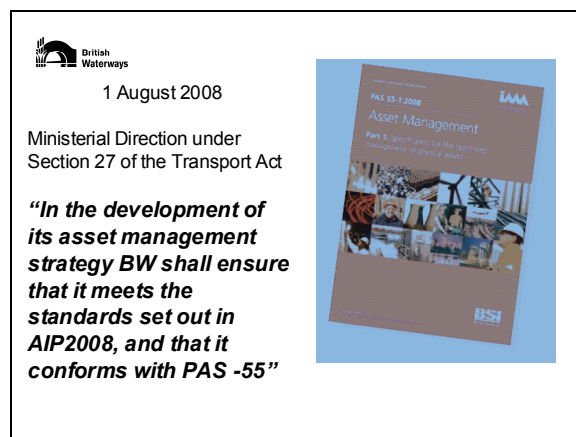
In October 2007, a section of a canal in Wales breached and deposited around 70,000 tonnes of debris onto a highway below, narrowly missing houses, traffic and an old

persons home. That this occurred in spite of a rigorous inspection regime and excellent records gave us great concern and prompted us to revisit our asset inspection requirements, particularly with respect to the tying in of maintenance records. We later found that a hole had appeared at the same location in the canal bed the previous year and was fixed by the local maintenance team, but its significance was not realised and therefore inspectors were unaware of it

We avoided, by the skin of our teeth, having all our embankments registered under the UK's Reservoirs Act. If that had happened, our infrastructure strategy would have been skewed and BW's risk strategy would have been seriously compromised. If this had happened I honestly believe BW couldn't have survived in its present form.

That we did avoid it owes a lot to the fact that we could demonstrate we had robust asset management processes in place, continuous records, could demonstrate risk management, and had a convincing argument that we were the best people to manage risk. Our Board learned a lot from the experience, that quality data, good records, knowledgeable staff, and robust inspection procedures are vital to success. And we made changes to help us avoid such an experience in the future.

An excellent example of how having all your asset management ducks in a row - and being able to clearly demonstrate it! - pays off. If you are not familiar with British Waterways as an Asset Management Exemplar, do see the two SAM case studies, both available in the SAM Online Archives, Numbers 66 and



British Waterways

1 August 2008

Ministerial Direction under Section 27 of the Transport Act

"In the development of its asset management strategy BW shall ensure that it meets the standards set out in AIP2008, and that it conforms with PAS -55"

PAS 55:1-2008
Asset Management
Part 1: specifications for the minimum requirements of asset plans
BSI

AM now written into the Rules

We recommended to Government, to give them confidence in us as risk managers, that it should write into our governance rules that we must demonstrate full compliance with the PAS-55. Government agreed. This sets in stone strong principles of risk management. It will help me in my work, give strength to my arguments when deciding on investment levels, and ensure that asset management has a strong voice at Board level.

Asset management that developed during better times has served us well. But in the future we need to address different issues. Our plans need to deal with different service needs and different asset portfolios for future generations.

Think



Now is the time to consider:

Vision. Have you got one, does it set a clear course, is it current, is it meaningful, does it set targets, is it exciting, does it help you set asset management strategy?

Strategic Direction – asset managers must get more involved in setting or influencing this at our own Board levels. And we must become better at communicating our ideas

Think now about those Future Scenarios that could have a critical impact on our businesses

Future Service Levels - visualise where you want to be, and what your customers and community needs will be, but be realistic in what can be delivered

Future Asset Portfolios - our networks of assets are often inter-related. The future will bring a very different mix of assets and these will interact in different ways to the present

Move away from measuring how many widgets you've built or repaired, or how much you've spent – what benefit has your work given to society, to customers, have you changed their lives, and how do you measure this?

And Politics - like it or not, politicians have power to change things – we must be in there with them so they make the right decisions. And we must use language simple enough for them to understand and communicate to others

So now is the time to review your Vision and asset management strategies.

Lets make sure they're relevant to our communities both now and in the future, and above all take every opportunity to communicate with those who have the power to make decisions. Only if we communicate strongly and with authority can we hope that those decisions will be the right ones