

**ASSET MANAGEMENT IN
WESTERN AUSTRALIA****ISSUE 284 FEBRUARY 8 2010****Two new features in this issue:**

View from the Coffee Shop. On the premise that ‘thoughts run freer over coffee’, this is an opportunity to reflect on ways in which we can do our strategic asset management job better. In this issue “Making it safe to fail”.

Regional Round-Ups. Complacency is death. Dramatic, but true. We may not wish to change our current practices, but we should always be open to the possibility that something better exists and be prepared to adopt it. In Regional Round-Ups I look at some of the things that are happening in asset management in other places. Starting in this issue with Western Australia.

But something ‘different’ is not always something ‘better’. We all want to know what the other guy is doing - but unless we understand why he is doing it, and what constraints he has to work around, we can be misled in our endeavours. I have seen government departments adopt processes from overseas that are cumbersome but necessary for the originating governments because they needed to work around established attitudes and existing legislation that did not exist here. We could have had a far smoother, simpler, route if only that had been realised. I have also seen overseas innovations adopted here - long after the problems with these innovations had been discovered. (‘Open space’ schooling is a case in point.) So in Regional Round-Ups, I try to give a little of the background as to **WHY**.

Also - What are your Key Messages for Asset Managers? - see back page.

Please consider - and enjoy!
Penny

Editor: Dr Penny Burns, AMQ International
PO Box 75 Salisbury South Australia 5108
Telephone 61 (0) 8 8359 0559
Email: amqi@amqi.com Website www.amqi.com

View from the Coffee Shop

Creating an Environment where it is “Safe to Fail”

I was listening to an interview with a theatre director when he observed that in innovative theatre it is necessary to create an environment where, as he put it, it is ‘safe to fail’. Not everything you try will wor

k, he went on to say, so you rely on the generosity of your fellow actors to go along with you and give it a try. It reminded me of the time I was directing a small Jewish play - with all non-Jewish actors - and my lead actor chose, at the very last rehearsal, to try out a completely unexpected Jewish accent. It completely flummoxed the entire cast. But they recovered for the opening night which went well. They had the requisite generosity of spirit. My question is: Do we?

When we are team leaders do we create a safe environment for failure? Or do we, and does the level above us, expect that everything we try will succeed - and judge accordingly? When *should* the focus be on success, and when on the ‘willingness to try something with potential’? How do we create a safe environment for innovation? Many organisations do not have it, making the established routine the only safe choice.

Chris Lloyd, in his “Key Message to Asset Managers” (see p.8) writes “Asset Management should challenge your mindset”, and I couldn’t agree more. But for this to be a route to improvement, we must create an environment:

- where someone can change their mind without being accused of ‘being a flip-flop’ or “inconsistent’, or, worse, of “not knowing their own mind”
- where someone can challenge a process initiated at an earlier date by someone who is now in a senior position in the organisation - without treading on toes and losing any chance of promotion.
- where attempts at improvement are praised for what they tried to do, even when they don’t succeed, and where the only reaction is to provide help to get it to work or to learn from why it didn’t.

Can you do these things for your teams?



Thoughts run freer over coffee

Asset Management in Western Australia

Western Australia is Australia's largest State at approximately 30% of the total. Its economy is based on mining and petroleum for the State has an abundance of natural resources. This focus has made it more capital intensive than any other State.



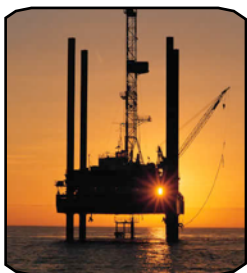
The Mineral and Resources boom, driven largely by the expansion of the Chinese economy, has seen the population growing more rapidly than any other State, and whilst average weekly earnings are higher than any other State and unemployment lower, this has its reflection in house prices rising faster and housing shortages increasing. Total private new capital expenditure has more than tripled over the past 5 years according to the most recently released ABS statistics (February 2010) and whilst the recent global financial crisis has had its impact at both private and government levels, the State is still growing strongly.

It used to be said that Perth was the most isolated capital city in the world, being 2139 Km distance from the nearest capital (Adelaide in South Australia) but this isolation honour has since been recognised as belonging to Honolulu. Nevertheless, isolation has its impact on WA. In summertime, it is two and a half to three hours behind the time zones of the other capitals and transport costs limit the free flow of expertise which is common along the Eastern seaboard.

The effect of this is that we often do not know what is happening in WA in terms of asset management and for this reason, I have chosen to start this year's series of Regional Round - Ups in the West.

Asset Management at the State Level

A Focus on Capital Delivery



Government officials were telling me just a year ago that, despite private capital investment being at all time record highs, there was even more private capital just 'waiting in the wings' for an opportunity to get underway and they were very eager to encourage it.

However, private capital could not expand at the rate that it was doing - and wanting to do - without extensive public infrastructure investment to go along with it.

Problem was, there just wasn't enough skilled resources to do it all. It was in this climate that, in 2007, the Government created the Centre for Excellence and Innovation in Infrastructure (CEIID), under the leadership of the Executive Director of the Office of Government Procurement.

Its stated aim was 'to improve collaboration, share knowledge and drive reforms across a broad spectrum of activities associated with public works, infrastructure delivery and strategic asset management'.

The focus at the time was, however, strongly on project management and capital delivery, and, despite its claim to the development of 'strategic asset management' I can find nothing relating to this on the CEIID website. www.ceiid.wa.gov.au

Instead, the Industry Liaison Workshop Outcomes that have informed the development of the CEIID Strategic Plan 2008-2011 fall into the following 9 categories 1. Forward Consultation/Engagement; 2. Communication; 3. Risk Allocation; 4. Tender Processes; 5. Forms of Contract; 6. Forward Planning/Process; 7. Value for Money; 8. Skills Development; and 9. Other . In other words, project delivery.

But Change is in the wind!



It is very hard to make your asset management voice heard when everyone's thoughts are focussed on capital expansion. But when the wind changes!

Last year's WA State Budget included \$3.5 billion allocated to water related projects over the next 4 financial years. This figure however, according to the Association of Consulting Engineers, is based on the Water Corporation absorbing a \$560 million budget reduction over this time frame. As a result of this, some planned projects have had to be deferred and 'value for money' is now a major focus. Forward capital programs are being re-prioritised. However the FY 2009/10 program of \$1.2 billion is still the largest ever undertaken by the Corporation.

I spoke with **Russell Pascoe**, the Western Australian Water Authority's Asset Manager, who confirmed that the focus is now strongly 'at the front end'. Both capital and ongoing funding limitations in the face of continuing demand are forcing stronger **options analysis** and the recognition that **capital should be the last, not the first, option**.

Instead, considerations such as inflow control, pressure management, and active leak detection are critical for existing infrastructure. However much of the demand for water infrastructure is still expansion demand.

Social Infrastructure Demands Also Growing - and requiring different approaches.

In addition to demands for infrastructure (water, electricity) to support production in some of the more remote regions the Government is also looking at developing community infrastructure in some of these regions to reduce the 'fly in-fly out' component and create a better social life style.

This is in addition to the acute shortage currently being faced in the social housing stock. Two key strategies that aim to address this shortage include expanding the social housing stock (traditional supply response) and facilitating tenant's 'movement through the housing continuum to less subsidised accommodation', in other words looking at how the assets are being utilised (a more innovative response). Two young researchers at the Curtin Business School are currently looking at just this question. Contact: Rachel Ong, rachel.ong@cbs.curtin.edu.au



At the Local Government Level

Royalties for Regions Program - Funding for New & Renewal Infrastructure

25% of annual royalties from mining and resource development have been allocated by the Department of Local Government and Regional Development for regional infrastructure investment and renewal and asset management capacity building. To this end it is encouraging standardised asset management practices according to the Commonwealth designed Asset Planning and Management Framework.



Funding from the program is tied to infrastructure provision and renewal and asset management capacity building and is not intended to replace local government's own infrastructure expenditure from other sources of revenue.

In future years, it is intended that new infrastructure will primarily be funded through regional groups (by mutual agreement of member councils) while asset renewal funding provided to individual local governments will ensure existing infrastructure is maintained more effectively.

WAAMI - Capacity Building Assistance

The Western Australian Local Government Association (WALGA) has made available the services of a couple of consultants to provide assistance in asset management and renewal gap modelling to councils. The assistance follows the procedure set by earlier work in Victoria (1998 - Facing the Renewal Challenge) and South Australia (2001 - A

Wealth of Opportunities). Both of the former studies covered all councils (mandated in Victoria, voluntarily in SA).

It is up to WA Councils whether they take up the WAAMI program. Some councils have, instead, adopted the IPWEA's NAMS Plus Program.

Common Road Asset Recording Software

In the light of interest in common asset management frameworks, the experience of WA in the use of a common road asset recording software, ROMAN, may be of value. (information drawn from the WALGA website, www.walga.asn.au/)

The past

Western Australia was unique within Australia in that historically the overwhelming majority of Local Governments have used a single software system, Roman, for recording road assets and their condition. This has provided benefits to Western Australian Local Governments in negotiations with the State and Federal Government, and the State Government in negotiations with the Federal Government and other States for funding.



The data from ROMAN is used as the basis for the calculation of distribution of most State and Federal Government grants programs, and is used by the State Government for a variety of secondary functions such as state road mapping and reporting, speed zone management, traffic signs and line marking.

ROMAN has been relied on by many WA Local Governments to provide their mandatory road network reporting, and perform their mandatory annual financial valuations. In addition many Local Governments use its asset inventory and asset management functions.

The present

Unfortunately, the ROMAN road pavement management software as used by the overwhelming majority of Western Australian Local Governments is about to fail. Various elements of the program operate on software which is no longer supported, and other elements are not compatible with the new Windows Vista. When ROMAN 1 ceases to function (estimated about June 2010) every Local Government in Western Australia will need to have a replacement software system in place.

The future

WALGA is developing ROMAN II so that every Local Government will not have to go through a tender and replacement process, and can get the advantage of collective purchasing and shared expertise and knowledge. One would have thought that this would be a simple process, given past successful common use. But there is resistance in some pockets to Roman II.

- Some councils have already implemented an asset management solution that covers roads as well as other assets and does not require ROMAN II.
- There is an argument that Local Governments have different software requirements reflecting their different situations and focus, which reduces the advantages of a joint solution other than collective purchasing
- These councils would like to see State resources distributed for other infrastructure uses.

Cf New Zealand. By 1996, New Zealand had implemented a common software system. Councils worked jointly at determining the requirements and in approving the software supplier. Their joint involvement would have seemed to ensure the success of the venture - BUT, some five years later, many of the adopting councils had either failed to fully implement the software, or had discarded it completely in favour of later alternatives. In some cases the software had not been taken out of the box! **Something to think about!**

In Academia



“Some reflections on managing a postgraduate program’

by **Melinda Hodkiewicz**, Discipline Chair for Engineering Asset Management, School of Mechanical Engineering, University of Western Australia

*The UWA postgraduate program in Business and Engineering Asset Management program is entering its third year. I asked **Melinda Hodkiewicz** if there had*

been any ‘surprises’ with the program. The answer is yes, here are some of the main ones.

There are lots of asset managers without engineering degrees

Originally developed around the needs of those with engineering degrees, there has been wide interest in the course from people with a range of backgrounds who have positions of considerable management and technical authority. In response to this we now have an entrance stream to Masters via Graduate Diploma for those who can demonstrate suitable AM experience and responsibility regardless of educational background. To date the academic performance of those who have come in under this equity entrance program has been great and they add a wealth of practical experience to the classroom discussions.

Not everyone wants a degree.

A number of people are just interested in a specific unit or two not the whole program. This became apparent as we offer some AM units that are not widely available

elsewhere and people want to take these and not the others in the program. In response to this we are making it easier for people to do this.

Night courses, once a week over 12 weeks are not that popular

In about 8 out of 10 of the enquiries we get, people indicate the timetable is a challenge so we have been investigating alternate timetables. Night class is convenient for those based in Perth but not for those that travel. This year for the first time we will offer a few units including the popular 'Asset Management & Risk' and 'Reliability Engineering' units in intensive mode. We looked at lots of different structures and settled on three contact periods of 3, 3 and 2 days spread over an 8 week period with assignments and support in the breaks. This will work better for those who travel and/ or have company sponsored training but not as well for those who are based locally and want to do classes in their own time. We will know more when the first one runs in May 2010.

Senior (non-asset) managers need their own course

Our postgraduate program is for those leading AM in their organisation so there is a high level of acceptance of the principles of asset management. Senior managers without the same level of understanding of asset management principles and practices need to be approached in a different way. Over the last year, with help from the AM community, we developed a 3 day Executive Education 'Asset Management for (non-asset) Managers' course which was run successfully for the first time last October.

Melinda thought there were probably more issues, but these ones stand out as they were not clearly identified when they started. They have been positive surprises though.

If you could give just **ONE MESSAGE** to the Asset Management Community,
what would it be?

Chris Lloyd, UK (Editor of "Physical Asset Management") says:

Asset Management should challenge mindsets! Does Yours?

Leo Gohier, Canada, says:

The more you understand the past, the better you can help shape the future!

These messages - And YOURS! - will feature in our new website COMING SOON. Think now - more information in the next issue.