

**What is South Australia doing right?
:and what can we learn from its successes?**



Moanna Beach - where asset managers go to relax - no built assets!

In this issue we look at how local government in SA is contributing to national development, how SA escaped the worst effects of the BER excesses because of its strategic asset management information system, and how asset management is quietly impacting, and being impacted by, a range of initiatives in academia.

Mark Buckerfield, Assets Director, SA Health looks at the pros and cons of outsourcing maintenance for Facility Management.

And I look at some of the dangers of taking success too far, in 'one size fits all?'

Enjoy!

Penny



South Australia, home of the first Australian Arts Festival, the first Writers Week - and the first (and still the only!) assessment of asset accounting practices and renewal projections carried out consistently for all major asset-holding agencies across an entire State (1985-87).

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LOCAL GOVERNMENT Acting locally for national consistency

South Australia has resisted the 'go it alone' ethos that often afflicts local bodies and has chosen instead to work with the IPWEA to ensure consistency throughout the state and nationally. The asset management templates it commissioned in 2006, with demonstrations, pilot testing and training throughout 2007, have since been adopted by IPWEA nationally and now the intention is to meet the needs of small, poorly resourced councils, by creating a NAMS+ 'lite' version for these councils that can be extended to the full NAMS+ when needs and circumstances permit. The LGASA set up a panel of large engineering consultancy firms to help councils with implementation but insisted that the model they used be the IPWEA model.



South Australia also contributed a lot of its research to the IFMG project and is supporting the IFMG by providing a copy of the manual to each council. Whilst realising that some of the bigger councils may require more than one copy, this will ensure that every council is able to take full advantage of the IPWEA financial workshops and training sessions later this year.

And next? The LGA are working on tools to help councils assess appropriate service level standards. These will become increasingly important to councils as we work through the adjustments that need to be made to accommodate climate and demography changes. As a result of SA proposals, it is likely that the Commonwealth could take up this challenge at a national level.

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STATE GOVERNMENT Focus on Performance

The State is organising its third asset management performance audit of state government departments. It has chosen to use the GHD Gap-Ex 1 model, which was also used in the previous audit. I am hoping that later I can bring you some information on the results, what was found out in previous audits and what has changed as a result.

In the meantime, if you would like to know more about Gap-Ex1, a self response model that covers both the 'what' and the 'why' of asset management actions, contact Ian Pibsworth ian.pibworth@ghd.com

Success for SAMIS (Strategic Asset Management Information System)

SAMIS is effectively a life cycle costing model for building assets that was initially developed for school building assets.

It really came into its own during the recent fast tracked infrastructure spending by the Federal Government. A lot of criticism has been levelled at the BER (Building the Education Revolution) Program with many complaints coming about mismanagement in WA, Queensland and NSW in particular. But SA performed well - because of SAMIS.

When the need came to spend \$80M on backlog maintenance, programs of work were quickly up and running using information from SAMIS. Could better decisions have been made given time? Quite likely. But could better decisions have been made within the tight timelines available? Probably not!

“We had so few problems that the ABC documentary on the BER didn’t mention us at all” said Brenton Ellis
ellis.brenton@saugov.sa.gov.au It is always nice when your asset management keeps your assets *off* the nightly news!

About a dozen other agencies are now using SAMIS in some form, initially as an inventory. Others feel that they should be using it but argue it is very resource intensive and there are other priorities for the resources that they do have. Should they be making the resources available? Does the success of SAMIS for school buildings demonstrate that all agencies could get the same benefits? Maybe not. Let us consider:



One Size Fits All?

Asset principles are the same, so what works for one asset group should work for another. Right? Not exactly!

This line of reasoning confuses ‘principles’ with ‘appropriate practices’.

Let us take as the above success in Education as an example. Could the same success be expected from, say, Housing, Police, Prisons, or Health?

And the infuriating answer is *'it depends'*.

First we need to see what made it successful in its original application and see where these same situations apply. Two things are important to consider:

(1) Life cycle models depend on estimates of economic lives.

Education has mostly relative simple assets and many of them, so it can use the law of large numbers to determine average economic lives for the various building components with which it deals. To a certain extent, the government's office building portfolio has some of the same qualities, no matter which department is actually occupying the building. But when we come to high tech prison or health facilities, we are dealing with only a few, very large, very complicated assets - the renewal of which may be more politically determined than age or wear related. Life cycle models do not work so well in these circumstances.

(2) Do you have control?

The Education department is in a position to determine where, in its large portfolio, the budget shall be allocated - and on what. But is Health? In every state, hospitals are essentially individually managed, many of them established under their own charters. and can exert, if it chooses, control over all. Do these three things apply in the other areas?

(3) Are the assets renewed throughout their life cycle ?- or is the administrative procedure to allow them to rundown and then be completely replaced?

The latter makes sense if demand is changing - for example, if re-locating police stations as population patterns change is the normal mode of behaviour, knowing what needs to be renewed and when may not be terribly useful. There is the necessity to consider whether the information collected will be of use.

So before you assume 'one size fits all' you may want to check that you are right!

Continuing our theme of "One Size Fits All?" Mark Buckerfield, SA Health, looks at outsourcing maintenance for facility managers as against managing in-house.

Outsourcing Maintenance in Facility Management

Mark Buckerfield, Director, Asset Services, SA Health

Many asset owners may already have a hybrid of in-house and outsourced maintenance functions, for example they may have a dedicated maintenance crew who then engage contractors for certain speciality functions. And there is no doubt that this can work well.



But what are the arguments for going further, and outsourcing the management of the entire maintenance function to an external Provider?



The answer depends on the assets, and risks, to be managed.

At one extreme we may have relatively simple facility assets where the needs are mostly for painting and routine servicing and where access is not a difficulty. On the other hand, we may have very large and complex facility assets, utilised 24/7 and where access is complicated by the nature of the services being continuously provided.

It is worth considering the arguments pro and con in the light of these extremes.

Workforce Flexibility

An external Provider can provide greater workforce flexibility and move staff between sites to match peaks and troughs in demand. This works well for programmed maintenance activities (e.g. painting, routine servicing) and for response maintenance where the time element is not critical. This is true for most office buildings and school buildings.

At larger, more complex sites, particularly those with 24/7 usage and/or high security needs, the facility manager will normally have a dedicated team and rarely move trades between sites but rather achieve flexibility by scheduling work priorities to ensure the best utilisation of time.

Workforce Management

One advantage of outsourcing is that human resource management becomes the responsibility of the facility manager. The challenges of dealing with an ageing workforce, recruiting specialists, performance management, training and development are also transferred. Labour

costs, being linked to awards, are likely to remain the same. But management costs may be reduced because of the ability of a large outsourcer to spread management overheads across a greater number of contracts. The challenge is to calculate the assets owner's own management costs and which components would be reduced if an external firm was engaged and whether the fee, which has a profit component, would be overall lower.

Workforce management benefits may be high for smaller facility managers and for larger facility managers where the assets lend themselves to programmed maintenance rather than condition monitoring.

Larger in-house facility managers with complex assets, however, may be able to secure the economies of scale benefits themselves, and assets that need ongoing condition monitoring and responsive maintenance may benefit more from a dedicated and experienced workforce.

Improved Systems

An outsourcing provider can bring to a small organisation a more mature maintenance management and reporting system, removing another overhead and providing access to a tool which a smaller asset owner could not afford. Along with the computer system the facility manager should also bring the works management disciplines for programmed maintenance scheduling, work prioritisation, resource management and condition assessment regimes.

The more critical the assets, the greater the need for the asset owner to have his own in-house information system, rather than being reliant on outsourced providers who may change with the end of a contract or with a change in ownership.

For small and large asset owners the key is to retain the intellectual property of the information captured. The method and frequency of information being transferred back to the asset owner needs to be established before signing up the facility manager or there is the risk of losing valuable asset history, the ability to scrutinise the performance of the facility manager or being locked into using the same Facility Manager long after the initial engagement period.

Technical Expertise

This is another area where the benefits of outsourcing are high for the small asset owner for whom the costs of training his own internal staff becomes prohibitive, especially where the organisation has a limited asset base to provide sufficient work for a full time specialist resource, compounded by the need to manage leave requirements and provide adequate development opportunities.

Larger Facility Managers have the ability to either establish their own or contract speciality services across a broader asset base.

Where technical knowledge is available from well documented procedures, drawings, maintenance manuals and asset history, an outsourcing provider can quickly get up to speed. If the knowledge resides only in the heads of the existing workforce, then the provider needs to factor in additional start up costs or recruit the existing employees. Recruiting existing employees is a strategy that has advantages to both the asset owner from an industrial relations point of view and advantages for the incoming Provider.



Risks

Once local knowledge is transferred, the ability to audit the quality and performance of the Provider and its subcontractors may be compromised. Independent auditors can be contracted but the ownership of the sole source of knowledge (your former people) gives the first contractor a competitive advantage locking out future competitors.

You may be able to outsource the work - but can you outsource the risk?

There is no right or wrong answer to the question of whether to outsource. The decision needs to be made in light of the inherent risk profile of the asset base and the relative abilities of an in-house Manager or an outsourcing Provider to best manage these risks.

[Ed. Experience has shown that transferring risk contractually to a third party is always costly, and often ineffective. This is particularly so where risks are politically sensitive.]

In the end, the asset owner always pays the price for risks not well managed.

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And now - what is happening in Academia?

In the quest for Sustainability are AM principles becoming mainstream?

Research at the University of South Australia suggests that this may be the case.

Planning - and a focus on the service, not the asset

At the University of South Australia, Dr Stephen Pullen, in the School of Natural and Built Environments, teaches a course on Asset and Facility Management but he also find that asset management principles are equally applicable to his planning work. Stephen says:

“One approach to sustainable development is by doing more with less. *What is important is receiving the service not owning the product, for example hiring a car rather than owning one. Similarly with cities, it is the ability to provide the service, whether it be medical, education, sport or entertainment, that is important, not how extensive the facilities are.* This leads to the concept of sharing and integration of multifunctional buildings, facilities and locations.

A critical part of sustainable development is to comprehensively analyse and monitor changes to ensure that the desired outcomes are achieved. For instance, recent research at the School of Natural and Built Environments has questioned the concept that inner city living is more sustainable than suburban living. This work suggested that simply building high rise dwellings in a central location does not, by itself, guarantee more sustainable living.” Stephen Pullen Stephen.Pullen@unisa.edu.au

Design - and technology to support demand management

Lochiel Park is a South Australian Government initiative that is essentially a model of a green village, incorporating a range of best practice sustainable technologies.

UniSA’s Sustainable Energy Centre worked with the Land Management Corporation in developing Lochiel Park’s environmental guidelines which include improving the energy performance of house designs, selecting solar electrical and solar hot water systems, and energy efficient appliances.

The homes in Lochiel Park are almost net-zero energy homes, because in many cases, the energy they generate is sufficient to provide for their own requirements.

According to Associate Professor in Environmental Mathematics, residents have an agreement that they will not use higher than a particular level of power. So on a hot day, if they turn on their air conditioner and their washing machine and start vacuuming, they’ve got a **mini smart grid system** that will automatically turn off the washing machine for example, because they have gone over the peak they contracted for.

- **technology and individual commitment, a winning combination**
- **that has many more application possibilities!**