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PATHWAYS TO ASSET MANAGEMENT

I have just uploaded twelve more 'how I got started' stories to the **History Project** showing that there are many 'pathways' to asset management.

How did you get here? Perhaps via computerised maintenance management, systems engineering, facility management, or accrual accounting? Or maybe through an interest in change management, or organisational structure?

However you got here, please share your story with others. Just 350-400 words saying WHEN your interest in AM started, WHAT started it, WHAT you did about it, and WHAT your role was at that time. That's it!

Do it now! We are in a good time window: *"Asset management is a relatively recent idea which has existed long enough for its national and international dissemination to be described, but not for so long that its history is no longer traceable."* Bob Ritchie

And in this issue;

Think of AM as an Investment, p.2

Making your AM Plan Responsive. p.3

The Importance of Words, p.4

Looking Ahead to the Next Oil Crisis - the outcomes of the peak oil workshop at Palmerston North that we looked at in the last issue, and questions arising. **pp5-8**

Do consider and enjoy!

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Think of AM as an investment

An investment is expenditure now for future returns. You wouldn't think it a sound investment to buy an asset without knowing what services it would provide, whether there was a demand for those services, and whether the asset could therefore provide a sound financial return over time, allowing for the cost of money. In other words, we are long past the time when all assets were considered 'a good thing'. But are we not making the same mistake when it comes to Asset Management itself? Perhaps we need to think of AM as an investment.

Question: What's the correct level of investment in Asset Management training and development in times of increasing austerity?'

Answer: As little as possible!

When times are good we can afford to throw our money around. It is not wise; but if money is abundant, it is not critical. In austerity it is.

A focus on how much to spend is the wrong focus. Ask instead, 'what do we need to do, and why?' Knowing this, we can talk to decision makers, with persuasive examples. about the benefits THEY will get rather than how much funding WE want.

In times of austerity there are two things we need to do that we don't when times are good. These are: (1) make what we already have last much longer and (2) think very carefully about new purchases. We can, of course, go into denial and borrow against our credit cards to keep up a level of spending we can no longer afford, but this is just as dangerous for governments as is it is for households.

To make things last longer we need to maintain them better which requires better maintenance, better directed. Along with recruiting and training in maintenance is the need for better prediction tools. We need to review our current service levels to see if the benefits are really worth the costs and to ask whether the benefits cannot be provided more cheaply some other way. Both require better cost-benefit and options generation and analysis.

Thinking more carefully about new purchases requires involvement in decision making up front and using our life cycle knowledge to predict future commitments and advise modifications. It is not enough to manage only what we already have.

When money is scarce, more for us is less for others. Asset management may be 'a good thing'. But is it better than other good things? Only a focus on actions and benefits will tell.

Me: *How important is asset management for your council?*

CEO: *Well, I guess it is reasonably important - but quite frankly, we are not going to do it!*

Me: *Not going to do what?*

CEO: *You know, all the things on that list! It's all very well to argue that they are due for renewal because of the life cycle but as soon as the river floods that road down by the creek, that's what I am going to have to deal with - and the list goes in the bin.*



YOU CAN'T PLAN FOR THE UNEXPECTED - BUT YOU CAN BE PREPARED!

Make your AM Plan Responsive

Is your asset management plan seen as irrelevant as soon as something happens that was not allowed for 'on the list'?

Suppose that one of your large projects is held up for a few months (absence of required legal clearances, weather delays, absence of raw materials, whatever!) are you able to easily switch resources to another project on your plan?

Do you know which projects can be brought forward

- (a)** at little cost in time and money
- (b)** at some cost in time and money?

Conversely, if a bush fire results in major resources needing to be deployed in restitution and support for the community,

Do you know which projects can be safely deferred

- (a)** at little cost in time and money and
- (b)** at some cost in time and money?

Does each project on your plan (major maintenance, renewal, expansion, upgrading, new) indicate

- how critical it is that it be done within the given time frame, and why?
- what other elements on the plan need to be completed first?
- what other elements on the plan depend on the completion of this element, within the given time frame?

Many years ago, Water Care in New Zealand, had such a plan. It did not indicate the costs involved if a project were deferred or brought forward, but it did indicate whether it would be possible or not, and why.

This meant that when problems arose in Water Care, the AM Plan became part of the solution. It did not become obsolete. Will yours?

Who is a customer?

When the Tax Office refers to me as a 'customer', am I to take them at their word and assume that paying my taxes is optional?

A COLLEAGUE is NOT a customer

I am not alone in reacting adversely to the currently popular, but inappropriate, use of the word 'customer'. A recent article in IT challenged IT professionals over the use of the term 'customer' to refer to their colleagues. They argued that, by describing colleagues as 'customers', **IT was conveying the message that the IT section was separate from the rest of the business.**

Jan Korek, Stirling City Council, Perth, suggests that we could ask the same question about Asset Management. How do **we** refer to our colleagues? Our communities? Are we in **AM** inadvertently positioning ourselves as separate from - even out-of-step with - our organisations and users, by the words we use?

I would also like to suggest that

The COMMUNITY is NOT a customer

A 'customer' is an individual or organisation that has the freedom to choose to buy - or not to buy - the organisation's products.

There are some services provided by councils that fit this description - users of the council's caravan park for example. But by and large, decisions are made *on behalf of* the community rather than *by them*.

We may argue that the community can reject the existing councillors at the next election if they are unsatisfied with the service provided - but such a rejection is not 'service specific', in the way that a customer's decision to buy or not buy a product is, it is not immediate, and it is not clear. If the majority of decisions made by the council are acceptable, then it may not even be evident that this particular service is not.

For all these reasons, the rules that apply to customers do not apply to the community use of services provided on their behalf by council.

The word 'customer' implies a choice. And that choice provides **information feedback**. Where there is no choice, other means must be found to obtain feedback from user/non-users of the service. The word 'customer' obscures this necessity.

That is why the choice of words is critical.

How will rising oil prices affect us and what can we do about it?

If you are not asking this question now, you will soon have to.

In the last issue we looked at a workshop organised by **Archer Davis and Siri Rangamuwa**,

North Shore City Council involving all the major Auckland councils, the national transport agency, a few consultants and a contractor. Nearly all of the participants came from an operational asset management background and had a technical focus but they rose to this strategic challenge. Other workshops have been run on this topic with other groups in Auckland, with the aim, not of getting answers, but rather of starting the questioning process.



What did you do in the 2007-2008 Oil Price

Shock?

This was the lead question designed to get the group started. Not unnaturally, the answers to that problem were ones designed to address the urgency of the immediate situation rather than to set in motion fundamental changes for the future. Some councils faced with the rapid rise in oil prices reduced the amount of work that they planned to do (to fit their budgets), some looked at hedging to protect themselves against price rises, some re-tendered contracts to get a better deal. These are all short term 'fixes'. Since that time, however, some councils have been tracking the rising price of bitumen and considering what changes they could make.

A 3 hour Brainstorming

In the session, participants discussed a broad range of issues which roughly fall into three categories, namely

- **what levels of service will be sustainable in the future?**
- **what research needs to be done now to minimise the fall-out from rising prices? and**
- **what must be done in terms of community consultation to enable changes to happen?**

Here are some of their suggestions, (the focus was almost entirely on road assets):

1. Service Levels

Rising oil prices will affect service levels in a number of ways:

- Road construction, reconstruction and maintenance costs will rise;
 - Government transport revenues will fall (in New Zealand these are a function of fuel consumption for petrol - distance travelled for diesel);
- and
- Higher oil prices will affect the economy, increasing inflation, reducing growth and generally making it difficult for councils to raise rates.



Maintenance can be cut in the short term but is not a long term solution and defects will start to accumulate, (possibly increasing the amount of action we have to take when we get around to it!) It is a good idea to be upfront with politicians and other stake-holders, rather than trying to fudge the issue - and as soon as possible.

As a consequence of rising costs and falling revenues, some services may need to be discontinued or, at a minimum, differentially priced.

- **hand over responsibility for maintaining cul-de-sacs to residents by agreement;**
- **handover sections of roads to adjacent industry**
- **targeted rates for higher LoS in specific areas/ shopping centres**

Such changes can bring forth benefits!

Changes brought about in tough times don't have to be negative! In Auckland, the creation of a business improvement district allowed a higher charge to address the key issues seen by businesses, namely security and congestion. It started with local security monitoring, but then webcams were introduced at intersections so that you could use the internet to check the level of congestion and decide whether to wait a bit longer before you left the office. Now internet based ride share software is being introduced, travel planning information is provided and a priority lane for couriers is being considered. When such services are specifically targeted rather than having to be introduced across the board, each section of the community can more easily get the services they value (and are prepared to pay for).

2. Research

Construction/reconstruction/ maintenance methods A general switch from bitumen to concrete surfaces raises serious environmental issues and, in New Zealand now (and Australia shortly?) incurs carbon taxes, so...

Innovations in Asset Management are needed. Solutions were seen in **better targeting of action**, e.g. hardening stress areas (turning/stopping/rutting) and sharper focus on specific areas of damage; in **reverting to unsealed sections** where demand was low; **more recycling** of aggregates; **reviewing** materials and life cycles; **reviewing** pedestrian pathway treatment.

Continuous Experimentation is needed As bitumen prices rise and quality falls, life cycles will change a requiring continuous experimentation to keep up with the changes.

Relative costs need Re-Examination Recognise that the relative cost of labour/plant/materials will shift so that previous estimates of cost effectiveness will need to be re-examined. Break-even positions between different treatments and materials (eg bitumen v. concrete) will have moved. We can't take previous analyses for granted any more.

Planning needs review Route priorities will need review as the modal mix changes - fewer cars, more public transport, more freight.

3. Customer Communications and Participation

Give the community a **REAL** chance to participate!



If customers understand the cost pressures and **are encouraged to participate in generating ideas, identifying issues that matter to them, and then proposing options**, it may not be as difficult as we would otherwise expect to lower levels of service or shift to new types of surface. **But we have to put the effort into learning real community consultation - where we listen and encourage.**

Road user behaviour can be a key element in surface damage, e.g. leaking oils, overloading, vehicle size for refuse collection, etc. This should be communicated to users, policy makers, and enforcement officers.



In the last issue I asked what questions you would have asked had you been at this session. **Here are some questions;**

How long have we got before the next oil price hike? 5 years, 2 years, less?

Will the next time be harder? Oil prices have a strong upward trend but there are also fluctuations. A few years ago they went up steeply, then came back down (a bit)! Next time it may be harder to get people to take counter measures because they may now expect it to ease off after a short while. This may prolong the problem. What can we do to educate? Particularly our councillors?

What can councils do to encourage less driving? The more money that is spent on transport, the less that there is for other things. Holding on to our car driving habits could fuel an economic depression.

How vulnerable are our council revenues? Higher petrol prices will also impact agricultural (through increased transport costs as well as fertiliser costs) tourism (through increased travel costs) industry (through increased costs of operation and likely reduced demand as the economy declines).

Surely it is more than roads? Impacts will also be felt by other sections of council - e.g. parks and gardens (for fertiliser costs). Costs of heating and air conditioning will affect all. Are current buildings being designed with natural ventilation, heating and cooling in mind?

Time to re-think benefits of getting larger? There has been a tendency (in Australia at least) to building larger facilities - megaschools for example - requiring more travel for students. At what stage are the benefits of getting larger outweighed by the costs of travel (and congestion on roads of declining standards)?

How can councils make better use of the internet to reduce costs and their own and ratepayers' travel expenses? (Ed: see the webcam example on page *)

Which council facilities are likely to be most affected by a decline in demand? Caravan park accommodation? Can we predict?

**Thanks to all,
and especially to Archer Davis and Siri Rangamuwa of North Shore City.**