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### Successfully Promoting Asset Management

*- without coming over as a snake oil merchant*

Asset management has so many benefits for your organisation - asset sustainability; informing wise decision making; reducing wastage; increasing reliability and community respect; reducing staff stress, increasing confidence and staff morale (and in turn reducing staff turnover and its associated costs), and providing the means to create rapport between council/board and staff - that it is easy to come over as a snake oil merchant.

Learn how not to in our “**Seven Steps to Successful Promotion**” (pp.3-5) and our **Two Success Stories** (on p. 6-7)

#### Also in this issue.

**From the coffee shop: An issue of policy.** Where individual good and policy good conflict, which should take precedence? - an issue for the policy makers. (p. 2)

**Asset Management and Climate Change** - A challenge from the UK Institute of Asset Management. (p. 8) Are you up for it?

As always, please consider - and enjoy!

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## An Issue of Policy



Such is the kudos of arguing a case before the Supreme Court in the US, that lawyers seek out potential immigration cases that might go to the Supreme Court and offer their services for free. One might think that having highly qualified lawyers work on their cases for free would be welcomed by immigration activists but this is not so. For they are arguing, and with some right on their side, that judgements in favour of an individual client may not be in the best interests of the development of good immigration law - and thus the best interests of the community.

This made me reflect on work in which I had argued on the side of the client - possibly to the detriment of overall good. When Jeff Roorda, David Hope and I did the Victorian “Facing the Renewal Challenge”, we developed the concept of the “Renewal Gap”, the difference between what councils needed to spend in the next 5, 10 and 15 years in order to renew the assets falling due in those periods - and how much they were intending to spend.

To identify those in most need of urgent action we ranked councils in order of the size of the Renewal Gap, indicative of how much *management effort* (not just funding) was required. It was not our intention that this be published. We felt it could lead to unfair criticism of some councils, since we knew that those with a relatively small gap were likely to be those with younger asset portfolios rather than those who had naturally superior management skills. (i.e. luck rather than good management)

Despite our arguments to the contrary, however, the figures were published - to great dismay and distress by councils. So much so that when, a few years later, we did a similar study for South Australia “A Wealth of Opportunities” which, as the title suggests, focused not on the potential disasters but on the opportunities for action, it was agreed that the ‘league tables’ of councils’ renewal gaps would not be published. We felt that this was fairer to individual councils, and I might add, in Victoria too, the publication of league tables ceased after the first report.

### **But now I have to ask myself - were we wrong?**

Reason for the question is that the angst caused by the publication of the Renewal Gap figures in Victoria - and the negative connotations of the term *Renewal Challenge* - led to serious action being taken to measure the annual improvement in the Renewal Gap. The Minister demanded an annual report on progress which has provided the springboard for many other asset management improvements. This has not happened in South Australia. And I have to ask myself whether if South Australian councils had been ‘exposed’ in the way that the Victorian Councils were, would they, too, now be making more serious efforts to get their sustainability under control?

In other words, did our desire to act in the best interests of our clients, act to the detriment of policy improvement? Is a year’s worth of angst, if it leads to long term policy improvement, better than no angst at all?

***Have a cup of coffee and think about it!***  
***Penny***



## Successfully Promoting Asset Management

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The solution is to tailor your pitch to individuals. Everyone's needs are different, e.g.

**Councillors and Ministers** want to achieve something positive and beneficial for their time in office **but not at the expense of failing to get re-elected.** (*Hence decisions to increase services but reduce rates.*)

**The Community** wants more and better services, **but not at the expense of paying more for them.** (*Hence the success of State and Federal Governments in influencing local government priorities with grant money.*)

**The CEO** wants to perform well, **but not lose his job or annual bonus by getting his council or Minister offside.**

**The Chief Accountant** wants sound long term finances, **but not at the expense of a clear short term audit statement.**

and the needs of **engineering, development planning, client services, etc** all present their individual challenges. You need to know your organisation well enough to know what drives them - **and also what they want to avoid.** Here, as a checklist are things that I have learnt from successful organisations.

## The Seven Steps to Successful Promotion

### 1. Make it relevant.

If you are able to cite success of others as inspiration for the action you wish to take you should emphasise the similarities in your situations that will make emulation possible but also make it very clear where changes will be needed - but possible. A good example of this is the work of Steve Albee quoted in the last issue. He is very careful to identify the similarities and differences and you can read his paper on Ken Harlow's site at [www.bcwaternews.com/](http://www.bcwaternews.com/) (along with lots of other great AM papers)

## 2. Avoid talking about what YOU will do and focus on what it will enable others to do.

For example a common mistake in preparing a renewal forecast based on current assumptions (life, condition, value, service requirements, etc) is to present it as a 'budget bid', when it should be the beginning of a conversation. Instead of demanding funding to meet the expenditures shown, focus on how other AM options will enable changes to be made and thus make sustainability easier to acquire by such things as extending life, re-assessing needs, etc. In this way AM is seen as a saviour of the renewal problem, rather than the cause of it!

## 3. Avoid overstating your case.

I see statements that imply that the Deepwater oil rig disaster or the flooding of New Orleans could have been avoided by good asset management. Nonsense! At best, good asset management will enable the right policies and procedures to be followed. It will provide the information on which good decisions can be based - but it cannot force those decisions to be taken. Nor is it proof against greed, corruption or stupidity.

## 4. Use legislation or adverse circumstances to advantage.

New South Wales and Queensland have mandated asset management plans and long term financial plans. This is a great opportunity to get the attention of councillors. For those who have long suffered under irrational decisions made without consideration for asset costs or sustainability, there may well be the temptation to use the new legislation as a hammer. But you will get further if you focus on using it, instead, as a means to win the hearts and minds of councillors and your colleagues. Willing support is better than grudging compliance any time.

## 5. Should you go for the 'Big Splash' or something more attainable?

Every few years, the 'infrastructure report cards' are produced showing ever larger sums 'needed' for our infrastructure. It gets a bit of press coverage - but generally very little action. And there is a reason for this. The larger the figures, and the more impossible the task appears, the less the incentive to tackle it. The following message from Mayor Leonard of Saanitch Council in Canada. (as cited in the first newsletter of the Local Government Asset Management Working in British Columbia, Fall 2010)

Mayor Leonard – "In the late 90's, staff had done considerable work in assessing our infrastructure assets, the services we provide and the long term costs associated with service delivery in order to identify our infrastructure gap or deficit.

**My concern with this information was how we presented this to the public.** It was important to identify the needs, but at the same time maintain the public's trust and inspire confidence that their tax dollars are being spent wisely. **So our approach was not to describe the problem as if the 'sky was falling'** or the result as poor management because it wasn't, but rather as a problem that needed to be addressed

and could be addressed over a longer period of time. The solution was an incremental, long term approach that would be achieved over a 15 to 19 year period.

Effective public consultation, as well as political consensus, allowed us to proceed with a yearly property tax increase of 0.75% to support the capital replacement of water, sewer, drainage, transportation and park infrastructure.

This is now embedded as policy into the Saanich Strategic Plan and after 10 years of implementation, Saanich is very close to achieving our goal of sustainable levels of funding for these assets.”

There is, however, a place for the ‘Big Splash’ - if you are in an agency with a secure board who wish to do something innovative and are prepared to resource it fully, then go for it! The point is to know what your decision makers want and need.

## 6. Recognise that change brings fear.

Each current situation has its beneficiaries who will lose out if that situation is changed. Don't ignore this. Work with it. It may mean promoting a ‘package deal’ where losses are outweighed by gains. But what it will definitely mean is that you cannot promote change by remote control - i.e. by memo or email. You will need to work one-on-one with all of the key players, and possibly in small groups as well. Everybody's fears are different. Everybody faces their fears differently. Working

**“Successful promotion is personal. You cannot promote Asset Management change by memo or email.”**

one-on-one you can tailor your argument about benefits to each individually, which will go a long way to overcoming both fears and inertia.

When the Chief Accountant in the NSW Roads agency wanted to promote the use of accrual accounting some several years ahead of its general adoption he could have chosen to win over the support of his accounting colleagues and enforce it. But he didn't. Instead he went to the engineers and said to them “This is why you want this” - and then explained it to them. By thinking of *their* needs, he got a headstart for good information in NSW Roads who led the development of asset management in that state for many years.

*which brings me to my final point:*

## 7. Promote the idea of “Teams” and collaboration.

Preferably avoid the use of the word ‘asset manager’ and promote instead the use of ‘asset management co-ordinator’ - Remember: *“Troubles shared are troubles halved”*

*Two councils that have been successful in getting everyone onside - including, importantly, their councillors, are the small Queensland council of **GOONDIWINDI**, and the large NSW urban council of **GOSFORD**. Here, briefly, is what they have done.*

You will notice that they have applied much of what is listed above.

## **TWO SUCCESS STORIES**

### **IN GOONDIWINDI, Amalgamation was the impetus.**



In March 2008 three small Queensland councils, two shire councils and one city council on the Queensland-New South Wales border, were merged into one. The total population is just over 10,000.

Amalgamation is a difficult time but it provides both the opportunity, and the necessity, for some rejigging of roles. The Director of Engineering is responsible for the engineering assets (roads, water and sewer, geographical information system) and parks, but not buildings. A new Director's Position has been created for strategic planning which they have called Change Management. The Director comes from a corporate services background and has no direct asset management knowledge but co-ordinates with the Director of Engineering and the task is clearly seen as a co-ordination role.

This year new legislation in Queensland has mandated asset management. Asset Management Plans and Long Term Financial Plans are now required. Goodiwindi will not meet the December deadline but will come close as roads make up 60% of their assets and their Roads and Water assets are already in the plans. For a relatively small council this is a good achievement. But more important is that asset management has been recognised as important, action has been taken. The staff are pleased with what they have been able to do - and the councillors are enjoying receiving asset information and understanding more about why the council does certain things and doesn't do others.

Dave Burgess believes that the key to their success is having a dedicated resource - and good information.

## In GOSFORD City Council, misfortune was the impetus



Gosford is a large urban council in New South Wales (population approximately 170,000) that some years ago had an unfortunate accident: a road collapse that resulted in the deaths of a family. However, by the time of the coronial inquiry which reported several years later, Gosford was recognised by everyone as having good asset management practices. (See SAM 263) This is a case of a council that recognised it had a problem - and dealt with it.

The good news is that **Gosford** has continued its AM path of excellence. They now have a Project Control Group - about 20 people who have a role in AM finance, expenditure, managers, along with support staff - with shared responsibility, a dedicated staff resource to co-ordinate it and experienced external facilitation. They have recognised the need for data analysis, rather than merely data collection, and have appointed two business analysts as well as a couple of programmers to manage their growing information data base.

### **Councillor Support comes from building trust**

To get the support of councillors, Stephen Glen says it is necessary to build trust. It is important to share information with them but not so detailed a fashion that it simply confuses. They have high level decisions to make - whether more roads or more clinics or parks. Stephen says they presented a road pavement study was to council, which, on reflection, probably had more detail than they could handle, but the message was that AM were being spent advisedly and that the AM group were doing their due diligence, if a repair was not being carried out now it was because priorities had been assessed.

One of the hard tasks was getting the AM message across to outdoor staff to think about AM. But they are now uploading data electronically on the move.

### **Where to now?**

They have just had an audit of their transport infrastructure fair value done and received good results. They now plan to move on buildings, they have the information but need to develop the theory and strategy.

They haven't got around to working with the community on service levels yet and are starting with broad and general indications - 'are you happy with the road service?', that kind of thing. They go out to festivals, shopping centres, and make a lot of use of their website to communicate ( see sidebar ).

### **Community Consultation**

Gosford City are using a group called "Bang the Table" to help facilitate community access on their website. I had not heard of this before and, intrigued by the name, I checked out their website - and, if you haven't heard of them either, I would suggest that you do the same. Specially designed for local government and the public sector, I notice it is now being used by a large number of councils. If you want to get more involvement in your community consultation than public meetings normally deliver, and if you want to do it with ease and gain more information from it, this looks very promising - google 'Bang the Table'.

## **A CHALLENGE: CLIMATE CHANGE AND ASSET MANAGEMENT**

For each issue of “Assets” the UK Institute of Asset Management seek 300 words from their overseas contributors, of which I am one, on the ‘topic of the day’. It is a bit of a challenge not to exceed the word limit but still come up with what I hope is a valuable idea and I find it fun - maybe you would, too?

Here is the current topic - and my answer. What would yours be? Love to hear it. There are many different ways of skinning this particular cat.

"Recent years have seen a freak tsunami in Thailand, devastating hurricane in southern USA, tragic earthquakes in India and Haiti, and unusually hot and cold weather across the globe. With this in mind, how can AM help future-proof assets against the effects of climate change?"

### **Future Proofing**

CSIRO research in Australia has identified ‘worst case’ financial impacts on infrastructure from extreme weather events but has yet to determine the likelihood of ‘worst case’ scenarios’, their likely timing, or even whether they will arise at all! Such is the state of our current climate change knowledge.

However, while we lack information to manage assets, we can manage the consequences, since every extreme weather condition has already been experienced somewhere in the world and can tell us how to ‘batten down the hatches’ when such events are imminent, and to recover from them afterwards. So, in future proofing, why not start with a ‘Disaster Recovery Plan’ and an ‘Emergency Infrastructure Protection Plan’? Logic also suggests that we (a) extend the lives of the assets we currently have and (b) maximise the capacity of existing assets to defer renewal or new construction until current research produces better information - and these proposals should also form part of current AM planning.

But consider this: the two water associations in Australia have taken diametrically opposed views on desalination and new dams. One argues that “Precipitous decisions to invest in additional supply-side options (e.g. new dams, desalination) should be resisted. Decisions on new water supply options should only be taken in light of results of climate change-related research” whilst the other argues “It is essential that the industry diversify its portfolio of water sources so that it reduces its reliance on surface runoff from rainfall.”

The second serves the large water businesses, whose concern for service delivery in this case has trumped the need for optimum life cycle costs, since every state now has an expensive desalination plant! And who is to say they are wrong? After all the rationale for assets is service delivery.