

**Do you know what's inside the box?**



This is our last issue for 2010. We now go into Christmas Recess and the next issue will be uploaded on Monday January 10, 2011. We take this opportunity to wish you all a happy Festive Season.

For those of you who will be in the office during this seasonal holiday, here is a special present you can unwrap and make your own.

In the last issue I suggested that Strategic Asset Management has been growing, not only in importance but also in scope and coverage. Even so you may be surprised at how much is now included.

Have a look at pp. 5-8. Despite the wealth of topics that are listed there, I would be very surprised if you did not find much that was yet still missing! **So please send me the topics that you feel should be part of the box but are not listed. This is our Jan/Feb Web Competition.** Existing subscribers can win 6 bottles of Premium South Australian Red Wines. For details, go to [www.amqi.com](http://www.amqi.com)

I look forward to hearing from you.  
All the best, and Enjoy!

Penny

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## **AMQI's SAM Collection**

### **Too much data = too little information**

In today's world, information is no longer scarce. In fact, our problem is the opposite! We have far too much information to absorb, even in the relatively new field of strategic asset management.

### **What can we do about it? Two things!**

1. **Keep all our articles short.** "Strategic Asset Management" strives to keep all of its articles short, less than 2 pages if possible. **We put the time in, so you don't have to!**
2. **Make the articles easily and quickly accessible.** We haven't done this so well in the past. We have a most comprehensive collection that has been built up over 17 years of research and investigation, a most unique collection. We have made it all available to you - but it has not been easily accessible.

### **Here is what we are doing to make articles easier and quicker to find**

All of the 2500+ pages now available are being culled, combined, revised and updated.

And they are being organised in easy to find categories and sections,

There are 4 categories: strategy; data collection decisions; using the data (planning and modelling); and implementation.

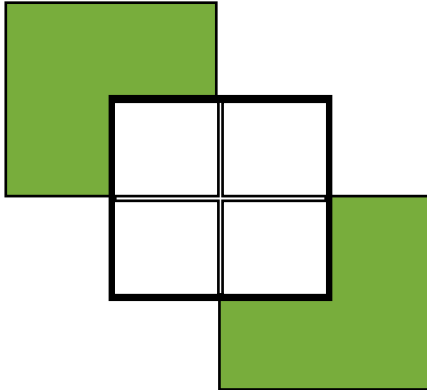
Within each of these 4 categories there are a further 4 subdivisions. And within these are key words, permitting you to search within a category or across the entire collection.

The titles of articles will be recast to give you a clear idea of what they are about and they will be dated (original date and revised date). Plus the author's name.

Articles will be kept within the 1-2 page limit for the most part.

**And you can help by suggesting the key words that are meaningful for you. See "Tag It!" on pages 5-8**

## Understanding STRATEGIC ASSET MANAGEMENT



In Issue 305, we considered the three levels of organisational thought and action relating to assets.

Level 1 were the business decisions.

Level 3 were the Asset Actions: the engineering actions - maintenance, operations, asset additions, project management, etc., the financial actions - asset recording, valuation, depreciation, etc.

And Sitting between these and linking them is Level 2 - Strategic Asset Management.

**Strategic Asset Management**, I argued had four main functions or roles

- To derive the best asset strategy to meet the business strategy and objectives
- To seek out the best information and organise it for use
- To then use/ analyse this data to produce guidance and help (plans, models)
- To work with the Asset Actions teams to check when and how the asset strategies may need either clarification or adjustment.

### WHO makes the decision?

In the past I have suggested that the role of Strategic Asset Management was in decision making, rather than in the carrying out of asset actions.

**But the SAM role is *not* that of decision maker, but rather of decision support.**

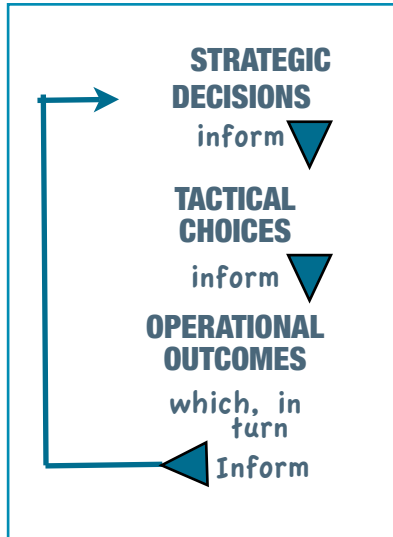
(remember in the last issue the Councillor's advise to Guy Félio:

**“Dr Félio, DECISION MAKING IS OUR JOB. If you want to make decisions, get yourself elected”**)

### A CONVERSATION

It is best to think of all strategic asset management as a CONVERSATION. Asset Management Plans and Life Cycle Models are not the end of the conversation - they are the beginning. They provide information. If you recognise this and work with it, you will continue to be part of that conversation and have more influence - just not the final decision!

**Strategic - Tactical - Operational**  
**and the ROLE OF STRATEGIC ASSET MANAGEMENT**



Strategic informs Tactical informs Operational which in turns informs Strategic. But this is not a CLOSED LOOP because also informing strategic is the external factors operating on the business and which influence and change the business decisions - and so requiring changes all along the line.

**THE ROLE OF STRATEGIC ASSET MANAGEMENT TEAM**

is to be aware of external factors acting on the business, anticipating and advising on information and analysis requirements and tracking operational outcomes to make sure that the AM strategies adopted are achieving the outcomes desired.

**WHAT'S NOT IN STRATEGIC ASSET MANAGEMENT?**

**Any action or decision related to an individual asset rather than to the total asset portfolio.**

ASSET ACTIONS include:

**engineering actions** such as the acquiring of a new asset (e.g, construction, purchase, project management) or the operations and maintenance of an asset.

but decisions as to whether to acquire the asset, and whether, having decided that it is necessary, it should be acquired in a particular way (purchase, construction, and type of contract) are strategic decisions.

**financial actions** such as recording transactions and the carrying out of valuation and depreciation

but decisions on the way transactions are to be recorded, or the type of valuation required or the depreciation principles to be applied are strategic decisions

**In general, the technical know-how of how to carry out an asset action is NOT part of Strategic Asset Management,**



## OK, SO WHAT IS IN THE BOX?

Here the **4 Categories and 16 Sections** are spelt out - along with suggestions for the **key words** that will help you find what is in each.

*This has been made the topic for the December/January Web Competition - see [www.amqi.com](http://www.amqi.com) for details*

### **Your Holiday Activity:**

#### **How Many Extra Keywords Can You Suggest?**

**Here is YOUR CHANCE to get involved and make sure that the new KEY WORDS meet YOUR REQUIREMENTS.**

**Please send your suggestions to me at [info@amqi.com](mailto:info@amqi.com) - which new KEY WORDS would you like to see - and in which Section would you place them? (Note some KEY WORDS may apply to more than one section)**

**Thank you!**

## **1. Strategic**

### **Setting Directions and Strategy (including strategic planning)**

Includes: **Aligning** AM objectives with your **business strategy**, making **outcomes** clear. delivering clear **messages** to **owners, customers, suppliers, regulators**. Determining and justifying appropriate **service levels**. **Community consultation**. **Forecasting future demand, future industry** or **statutory change**. Using **scenario development** for complex issues. Addressing current issues of **climate change, peak oil, ....**

### Structure and Processes

Includes: **Design** and **review** of **AM processes** and **structures** so that, in addition to your desired objectives (see above) they support your business outcomes, e.g. identifying and overcoming **overlaps, gaps, conflicts, bottlenecks** and **ensuring clarity**.....

### Risk and Continuity Management

Includes: Identifying the **risks** to your business of a failure of your assets to deliver required service levels. Developing a **continuity management plan** in the event of severe outages. **Awareness** of risk and **safety regulations** applying to your business.... **Disaster Recovery. Emergency Planning. Climate Change. Peak Oil...**

### Business Cases/ Business Case Process, development and review

Includes: Developing a **business case methodology** and implementing it throughout your organisation. Individual business case studies to determine when a new asset or major renewal is justified. **Investment Logic Mapping. Investment Management. Costing Intangibles...**

## 2. Collecting Data and Information

### Valuation and Depreciation

Includes: Design/Review of **accounting, valuation** and **depreciation** practices to meet **statutory requirements** and provide required **AM information. Types of asset valuations.** Maximising use of information collected in the process of conducting a valuation...

### **Asset Registers and Asset Accounting**

Includes: Setting up an **asset register**, combining asset registers following amalgamation, and **rationalising data** collections. Issues of accounting practice. How to deal with **BOO, BOOT, PFI** and other **financially complex assets...**

### **Data (review, collection, data management, data modelling)**

Includes: Reviewing existing data for **accuracy** and **relevance**; **collecting data**; **managing data** (e.g. centralising scattered data collections), and **modelling data...**

### **Information (systems review, knowledge management, information, data standards)**

Includes: Ensuring asset systems can provide necessary information when and where it is needed, that it is easy to access and understand. Knowing when **external data storage** is of benefit and how to do it. **Knowledge management**. Understanding what information you really need, **specifying data requirements**, and what **accuracy levels** are fundamental/excessive...

## **3. Using Information - Modelling, Plan Development**

### **Costing and Pricing**

Includes: Understanding the **full cost of services**, including **marginal** or **incremental** costs. Assessing the **benefits/costs** of **capital charging** and **cross charging**. **Activity based costing**, i.e. tracking costs by activities for greater efficiency...

### **Renewal forecasting, condition assessment, economic lives**

Includes: **Renewal forecasts**. **Assessing renewal forecasts**. **Condition Assessment** for renewal forecasting, **valuation** or **regulatory compliance** and **risk assessment**. Determination of appropriate, context driven, **economic lives**. **Age** assessment or estimation and **residual lives...**

### Funding models

Includes: Analysis of **timing** requirements of **renewal** programs and appropriate **funding options** in the **short term** and **long term**...

### Planning (AM Plans, developing and reviewing; Portfolio and Master Plans)

Includes: Development and Review of **AM Plans**. Construction of **Portfolio Plans** to cover all assets in your portfolio. **Urban planning** considerations...

## 4. Implementation

### Outsourcing and Procurement

Includes: Analysis of **procurement options**. **PPP/PFI contract management**. **Due Diligence**. **Outsourcing maintenance**...

### Performance Measurement and improvement (incl.AM improvement plans)

Includes: **Asset Performance** (how well are your assets performing) and **Asset Management Performance** (how soundly based and transparent your asset management processes are). **AM Improvement plans** and **implementation**...

### Regulation and Policies

Includes: Review of **AM policy** and standards documentation (e.g. ensuring they are up to date and sufficient to protect you in the event of litigation). **Regulatory review** for **efficiency** and **effectiveness**. **Audits**. **Response to audits** and regulators. **Training** personnel for these tasks. (see also next.),,,

### Training, Staffing and Recruitment

Includes: Conducting a **skills audit**, **identifying training needs** or **capability gaps**. **On-site and off-site training**. **Field work training**. **Management training**. **Staff recruitment**...