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AMQ International's **STRATEGIC ASSET MANAGEMENT**



Effectiveness before Efficiency

This week we look at:

Effectiveness before Efficiency - to counterbalance the focus on efficiency forced upon the Productivity Council by its terms of reference see pp 2-3



A new course in infrastructure by the Next

Generation Infrastructure Project, Delft University representing a ten year research program is now available to you, **free and online**. Starts soon. April 28. Sign up now. See pp. 4-5

Of what does AM consist? The Asset Management Council, together with the Institute of Asset Management in the UK, have spent several years of thought and debate to come up with 39 topics in the "Asset Management Landscape", also now available to you, free and without charge, see p.6

What if you could do anything at all to improve AM in your organisation, what would you do first? Here are some responses. How do they compare with yours? see pp 7-8

A Thinking Framework - Infrastructure Decision Making - Where are we now in the process of bringing together the players? pp 9-10

Consider, take part, enjoy!

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Effectiveness Before Efficiency

The recent draft report by the Productivity Commission on private financing of public infrastructure made it clear that the ONLY reason for taking on private financing was IF IT could be shown to be more efficient. They gave a number of instances to show that it was NOT a foregone conclusion that private financing or private involvement would increase efficiency. Because of their terms of reference to look into how to get more private finance into public infrastructure, the Commission were limited in what they could say about Effectiveness, so here to redress the balance...

I look at [1] the broad issues as they affect all Australia, and [2] the impact on Councils in particular.

It may seem obvious, but it is nevertheless worth saying in today's climate that **Effectiveness needs to take precedence over efficiency.** Better to be doing the right thing, albeit inefficiently, than the wrong thing efficiently.

For this reason, it is important that decisions on WHAT infrastructure projects to undertake be determined independently of how they will be financed.

Once a decision has been made on what projects best suit the needs of the community, the financing decision can then be taken - not as a blanket policy - but rather on a **case by case consideration of the merits.**

The Productivity Council make it clear that **funds are equally available from the private sector AND the public sector.** The only limitation is the willingness of Governments to use these sources (i.e. the willingness to put up rates and taxes where an examination of the issues show that this is a more efficient financing option than involving the private sector.)

A prior choice of private sector financing naturally skews infrastructure decisions towards those projects that are most attractive to the private sector. These may not be the most effective choices from the point of view of community service provision. For one thing, minor repairs and modifications to existing assets and small scale projects, which may have the largest returns to investment, are often overlooked.

The financing bias and focus on efficiency over effectiveness leave Australia vulnerable to insufficient investment in social and environmental infrastructure,

such as the very important area of waste management where Australia lags far behind other countries.

In the end waste accumulations have the potential to more than negate improvements in transport for economic wellbeing. (This can clearly be seen now in China, where infrastructure has grown apace but the quality of life is being seriously affected by environmental degradation.)

For Councils

Councils also risk ineffectiveness when determining what projects to undertake based on what another level of Government is prepared to finance.

Remember that the only reason that another level of Government is prepared to fund capital for your projects is so that it **can influence you to put your (much larger!) recurrent funds at the service of their agenda rather than yours.**

If you would be doing the projects they are prepared to fund anyway, there would be no need for them to offer you incentives.

So how **EFFECTIVE** are you being when you choose your projects according to the dictates of another level of government?

You may think that the capital is extra money and therefore additional to what you would otherwise be able to do, **but capital is not the only constraint you face.**

You need to consider **what is not being done** because YOU are focusing your time and attention on the projects of someone else's choosing.

Your Councillors, expert staff, and CEO all have limited time and attention - and what they spend on one project they cannot spend on another. (Maintenance and renewal projects are particularly susceptible to the lure of the new!)

And, of course, the **recurrent costs for these projects** - this year, and next, and next - **comes out of your budget!**

WHAT is not being done because of this allocation of time, attention, and budget resources?

This is the REAL COST of FREE MONEY.



Next Generation Infrastructures - Part 1

Explore the complexity and challenges of infrastructure systems (Transport, Energy, IT/Telecom and Water) in the 21st century.

About this Course

Imagine how your life would be without electricity to power the devices you use at home and in the office, without reliable drinking water from the tap, without cars, trains and air traffic, without your mobile phone and without internet access. In many parts of the world we take the availability of these services for granted. Without conscious reflection on the technological systems that bring these services to where we use them, we are becoming increasingly dependent on a secure, uninterrupted and affordable supply of energy, water, transport, telecommunication and information services. They create the conditions for liveability and economic development. However, today's infrastructure systems are in a process of drastic change, as they are becoming more and more web-based, transnational and privatized, while new technologies are on their way. The outcome of these changes is difficult to predict.

In this course we will explore the challenges of infrastructure design, management and governance for the future. Some of the questions that will be addressed:

- What are the major changes and drivers when it comes to infrastructure development?
- What makes infrastructure networks vulnerable and how do we manage these risks in the future?
- How can their reliability and quality-of-service be improved?
- Will they become accessible for all global citizens, always and everywhere?
- Will they remain affordable for future generations?
- Will they exhaust the natural environment?
- Will established infrastructure systems be disrupted by technological innovations?
- How about security and privacy?

In this course you will learn to look at these challenges from a new combined engineering and social science perspective. We will explain, for example, how public values are expressed in infrastructure design, and how regulation dictates technology choices. It is all about dealing with complexity in the design, management and governance of infrastructure.

If you are interested or involved in the functioning of today's and tomorrow's (next generation) infrastructures, this course is an exceptional learning opportunity, whether you are a student or a professional. You will be interacting with peers all over the world and we will highlight a large number of case studies.

In the follow-up course, starting in September 2014, you will have the opportunity to study a specific infrastructure in more detail and explore ways to improve its resilience, security, affordability and flexibility. What is the potential of so-called smart grids? How to design infrastructure for the smart cities of the future?

The course is based on the results of an extensive and renowned international research programme titled '[Next Generation Infrastructures](#)' (NGIInfra). To celebrate this MOOC, we will invite the two best performing students in this course to the International Symposium for Next Generation Infrastructure, 29 Sept. – 2 Oct. 2014 in Vienna, Austria – and cover their travel and accommodation costs.

What can you do? If you are familiar with the MOOC courses (Massive Open Online Courses) then you will know that you can

(A) Simply Audit this Course

Audit this course for free and have complete access to all of the course material, tests, and the online discussion forum. You decide what and how much you want to do.

(B) Try for a Certificate

Looking to test your mettle? Participate in all of the course's activities and abide by the edX Honor Code. If your work is satisfactory, you'll receive a personalized certificate to showcase your achievement.

Prerequisites

Analytical skills, curiosity about new developments, and an interest in the design and governance of infrastructures.

Roughly how many hours will I have to spend on the course?

About 8 hours a week.

The courses are free, the text of the lectures is available and you can download the lectures for viewing whenever it suits you.

To view an introductory video and to enrol for this course, [go here](#)

The GFMAM Asset Management Landscape (Second Edition)



Of what does AM consist?

The aim of the Landscape is to include “the subjects and fundamentals that depict the discipline of asset management”. The document has already been used as the basis of the GFMAM ISO 55001 auditor/assessor specification and will provide a way to communicate asset management ideas and practices across the globe. **For more information and greater detail on the components download the document from www.gfmam.org.**

Landscape Subject Group	Landscape Second Edition Subject	
Strategy & Planning	Asset Management Policy	
	Asset Management Strategy & Objectives	
	Demand Analysis	
	Strategic Planning	
	Asset Management Planning	
Asset Management Decision-Making	Capital Investment Decision-Making	
	Operations & Maintenance Decision-Making	
	Lifecycle Value Realisation	
	Resourcing Strategy	
	Shutdowns & Outage Strategy	
Lifecycle Delivery	Technical Standards & Legislation	
	Asset Creation & Acquisition	
	Systems Engineering	
	Configuration Management	
	Maintenance Delivery	
	Reliability Engineering	
	Asset Operations	
	Resource Management	
	Shutdown & Outage Management	
	Fault & Incident Response	
	Asset Decommissioning and Disposal	
	Asset Information	Asset Information Strategy
		Asset Information Standards
Asset Information Systems		
Data & Information Management		
Organisation & People	Procurement & Supply Chain Management	
	Asset Management Leadership	
	Organizational Structure	
	Organizational Culture	
	Competence Management	
Risk & Review	Risk Assessment and Management	
	Contingency Planning & Resilience Analysis	
	Sustainable Development	
	Management of Change	
	Assets Performance & Health Monitoring	
	Asset Management System Monitoring	
	Management Review, Audit & Assurance	
	Asset Costing & Valuation	
	Stakeholder Engagement	

**If you could do anything
to improve asset management in your organisation,
what would you do?**

For the last several weeks this has been the main question on my home page and I have asked asset managers when we have met. Here are some of the answers.

What would yours be?

Here is one that was very popular (although expressed in different ways)



**Cast a spell on councillors to make them
believe in what we do!**

Other responses included:

Get everyone on the same page!

Make Asset Management a group on it's own reporting to the CEO. While it doesn't need a senior managerial position it does need some teeth over the whole organisation, this also equates to legitimacy.

Ensure that councillors get the 'learning' required to understand what is being done. Then make it a whole of business process rather than something done out at the depot!

Clearly establish the role, I do a lot of capital Works planning (in fact I've spent the last 3 months doing it), I don't manage the data collection or analysis done in the field and results don't always get back to me nor do the results of any CAPEX!. I've also done a lot of work helping units develop service plans.

Move to a generic asset database, too much time is being wasted trying to maintain an expertise and data quality in up to 11 different spreadsheets and programs!

Bring all asset management under one group, the daily running and maintenance could be done by service groups but centralise the data management and policy development, in a consultative role but with prime ownership over the final product.

Establish a calendar of events that coordinate with the budgeting/business process and ensure that when the strategic resource plan is developed Assets has a definitive role.

It would be nice to have some legislation or government intent to get acceptance, the carrot doesn't seem to work! I think NSW have gone part the way down this line.

A thoughtful response (as you would expect) came from **John Hardwick**, Chair of the Asset Management Council, who said.

'In the three organisations that I have responsibility for, we have people, processes and assets. The assets are fine. I would concentrate on the people and the processes.'

A longer, but equally thoughtful, response came from **Ashley Bishop**, who wrote:

Be able to write a strategic asset management plan that, in various chapters, covers all assets, strategies and policies that can be updated in parts rather than as a whole. All the plans I've been involved with so far seem to fall into an abyss almost straight away because the proposals in them don't get applied and they become dated very quickly. By restructuring the plan around fixed information, variable information and an annual statement may give the plan more street cred! If plans are reviewed every five years they become unused pretty quickly.

What I see is a section defining the definitions of assets and procedures, this would be reasonably fixed, policy and strategy, which could be updated every change of council, A record or a pointer to the record of asset stock, a management plan for the class of asset determining intervention and service levels for the either the asset class or the service I'm not sure here which way to go but I'm leaning to the service side as the same class of asset may have different levels of service in different service areas, and finally a state of the assets report produced annually that informs what we started with, what we did, what we have now and the implications for the next years. This leads into a capital works program and review of service levels.

Well, did any of these capture your choice of action?

Infrastructure Decision Making

Infrastructure decision making brings together the understanding of the economist who looks at financing and cost-benefit of projects; and the understanding of the engineer who looks at the feasibility and generates a range of physical options to secure the end result.

Economists tend to be interested in broad principles; engineers deal in detail. How can we bring these two disciplines together to generate sound infrastructure decisions?

Why should we want to?

- (1) Because, at the present moment, it is the Economists who tend to have the ear of the politicians who are the decision makers. Over recent years, Engineers have made great forward leaps in their thinking around asset issues - but that doesn't mean that they are being listened to at the highest levels.
- (2) Because Economists - by themselves - do not know enough; neither do Engineers! Both sides need to pool their knowledge (one on HOW do something; the other on WHETHER it should be done).
- (3) Because there is a third source of information that needs to be incorporated into the decision making for it to really serve the needs of the community, and this source of information is not natural to either Economics or Engineering, by itself. This third source of information is the impact of the real world (a.k.a Governance issues, regional issues, social and environmental issues).
- (4) The real world issues are not built into the economists' frame of reference because they operate on broad principles and this is too specific.
- (5) The real world issues are not built into the engineering frame of reference because they are not technical elements necessary for engineering decision making.
- (6) *The real world issues are, however, essential for infrastructure decision making.*

How do we bring the two disciplines together so that they can deal with the real world for which decisions are being made?

On the Engineering side this is not difficult for engineers know whether they fall into the infrastructure engineering (a.k.a. Asset Management) subset. They have specialist associations, journals, conferences and online chat lines that enable them to exchange information. They are organised.

However this is not the case for Economics. Few economists would recognise themselves as being within the 'Infrastructure Economics' subset. Few call themselves Infrastructure Economists for example. Most do not. This does not mean that they are not working on infrastructure economics issues, but they do so without thinking of it as a subset (For example there is no text on Infrastructure Economics and it is not recognised as a subset in the citation indices). Practitioners are scattered across the public service, universities, research groups, think tanks, and - especially - in the big consultancy companies.

What's the Next Step?

Economics, Engineering and the Role of Strategic Asset Management in Public Sector Infrastructure

