

# ASSET MANAGEMENT - WHY?

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## **Abstract**

Despite legislative prompts and the demands of performance measurement, Asset Management or "True" management of public assets has not yet been embraced by a large number of local authorities in Australia.

Why?

Whilst being amongst the world leaders in application of local government Asset Management practise, Australia is still grappling with the various state based restructuring processes, and it is likely that further national legislation will be required before optimum service provision and its linked "true Asset Management" will be universally practised.

This paper examines the current status of Asset Management, particularly with regard to pipe infrastructure in Australia and New Zealand and provides a review of the benefits of conducting true Asset Management at optimum service levels.

## **ASSET MANAGEMENT - Why?**

Management of Local Government infrastructure in Australia, particularly of water and wastewater infrastructure, has improved significantly over the past 10 or so years. There is now a far greater understanding and quantity of rationalised asset data available than before and every local authority has some system to manage those assets. All is well.

Long gone are the days where Public Works Department and Water Resources Manuals were the Asset Managers essential and only guide; the International Infrastructure Management Manual now enables every budding Asset Manager to reach his/her peak much more easily and quickly.

The introduction of legislated accounting standards and asset management plans resulted in a flurry of data acquisition and rationalisation in the early to mid '90s. The data often ended up in spreadsheets for principal use in AAS27 reports and total management plans, only to be updated (perhaps) once per year and recycled. Since then, there has been little increase in legislative requirements in Australia whilst New Zealand, which lagged legislatively behind Australia in the early '90s, caught up and surpassed Australia by requiring local authorities to produce long term financial plans and then auditing them annually.



Now, every New Zealand authority is required to produce annual and long term financial plans showing details to the component level. The annual audit then compares the actual action and expenditure against the plan and the auditors make comment accordingly. The impact of this legislation is that local authorities now need to engage in "true" asset management in order to meet the statutory requirements. This has the secondary effect that all actions related to the management of assets need to be planned (where possible), instigated, tracked and measured with full transparency. Such action, obviously, has cost implications however the principal benefit is savings achieved through improved capital investment decisions which become apparent by applying true asset management principles.

So why isn't every authority investing in this methodology to gain its benefits?

In Australia, the answer probably is that :

1. There is still not enough understanding and recognition by the practitioners and the decision makers in Local Government of the financial and organisational benefits that come from the application of proper or "true" asset management processes.
2. There is insufficient political and economic justification for any third party organisation such as a state government to drive "true asset management".
3. There is no legislation (as per the New Zealand model) to drive asset management beyond compliance with AAS27.

Recent publications confirm that on a world basis, Australia and New Zealand are more advanced in asset management application than countries such as UK, USA and Europe. Furthermore, New Zealand is ahead of Australia and Australia is in danger of being left further behind unless there is a recognition by legislators and practitioners that true asset management is a worthwhile goal.

One way to ensure asset management benefits flow to users is to make the data that is currently only used for AAS27 purposes, indispensable to the organisation on a daily basis. This can be achieved by making the data available to everybody in systems that require correct data.

These systems comprise :

- Customer Service Systems
- Contract Management Systems
- Work (Maintenance) Management Systems
- Property Systems

ie, move the emphasis of data use from once per year (for AAS27) to real-time eg the Customer Service System or the Property System.



Whilst this action relegates the asset data to a supporting role (to Contract Management, to Work Management and Customer Service) it certainly ensures that the data is maintained in top quality.

Once data is of top quality, using it for strategy determination is relatively simple. Strategy determination cannot be carried out without clean data and it is likely that a good number of attempts at true asset management in Australia have failed through lack of good data. Remember, it is quite possible to obtain meaningful and valid AAS27 answers from data that is not completely clean. That same lack of quality data can be a major hurdle in determining strategies and programs.

So why bother with going beyond AAS27?

The benefits of practicing true asset management are varied and diverse. Some have direct, measurable impacts whilst others have a social impact which is difficult to measure. They include:

### **1. Understanding**

The ability to analyse and trust good quality, relevant data enables the data to be converted to information. This leads to understanding and knowledge which in turn, brings improved decision making and management.

All too often, even the smallest discrepancy in data quality has caused "loss of faith" in ALL data resulting in a rejection of that data and stultifying any attempt at asset management. A quality approach to all matters of asset management is essential.

### **2. Control**

Asset management is about management for the future. A systematic approach of what to do with assets, based on all knowledge, past and present, enables asset managers to achieve a sense of control over those assets. This is particularly true when systems are applied that enable modelling of behaviour in a "What if?" scenario.

The asset manager is charged with the "control" of assets. Such control comes from understanding and knowledge of all matters pertaining to the assets.

### **3. Financial Necessity**

Management of assets is now a much more recognised financial necessity than was the case a few years ago.

The advent of IT Technology with a profusion of software tools has enabled data to be converted to information and has enabled management decisions to be measured in financial terms. This has provided better information, not only to the management teams, but also to the directive teams, hence greater choices of action are available to those teams.

The concept of not seeking or achieving financial efficiency in asset management, or it being too "difficult" is no longer acceptable.



#### **4. Progress of Community**

A community owns and manages assets for the benefit of the community. Good management of assets not only creates financial benefits but it feeds the spirit and well being of the community which in turn leads to better management.

You will be rewarded.

If your Asset Management System is languishing at the AAS27 barrier, why not make the data indispensable to the organisation by linking it to, or using it in, real-time systems.

The step to True Asset Management thereafter will be a small step, but a rewarding step.

Do it and you will be rewarded.