



NAMS 2012 – Asset Management at The Crossroads

THE PUBLIC POLICY IMPACT OF INFRASTRUCTURE MANAGEMENT IN AUSTRALIA AND NEW ZEALAND

November 2012

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PLEASE READ THE PAPER

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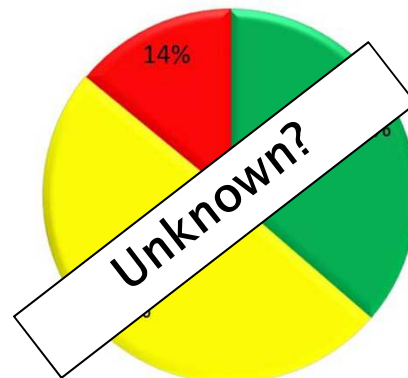




Australian Councils have over \$150 Billion of Infrastructure Assets to operate, maintain and renew. (ABS)
And these assets are getting older.

Risk – As assets get older they will need more inspection and maintenance.

Current condition of built assets in 2012



In 10 years time by 2023



Good Fair Poor

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The crossroads question for Australia

A scenario like this is facing most developed governments worldwide.



1. *Is there a backlog / renewal gap?*
2. *How big is it?*
3. *What does it mean ?*

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A Plan to Manage Infrastructure Assets

A scenario like this is facing most developed governments worldwide.



- ▶ **Asset are being consumed at 2% p.a of asset value** . Rates vary between Councils from 4.33 per cent to 1.36 per – CT Management Group Report 2012 and JRA DPCD report.
- ▶ **Asset are being renewed at 1.5%.** Average rate of Renewal
- ▶ **Councils are adding assets at the rate of \$1.4%** Average rate of Renewal
- ▶ **And probably underfunding maintenance** Actual now known

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Current Status of Most Councils in Australia.

1. Service levels, associated costs and risks have not been established
2. Informed trade-off decisions on service levels, cost and risk are not being made.
3. Asset Management Plans and Long Term Financial Plans are not aligned.

National– Australia 2010

- ▶ Transport – *Expenditure on local roads will need to increase by an average of \$1.2 billion per year for the next 15 years to avoid further and possible acceleration of service level deterioration.*

Study of Local Roads Funding in Australia
JRA for ALGA – October 2010

The logo for the Joint Roads Authority (JRA), featuring the letters 'JRA' in a stylized, blue, three-dimensional font with a white outline, set against a blue background with a diagonal grid pattern.The logo for Waugh, featuring a green circular icon with a white grid pattern above the word 'WAUGH' in a bold, orange, sans-serif font. Below 'WAUGH' is the tagline 'ideas | analysis | solutions' in a smaller, green, sans-serif font.

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National – Australia, 2012

- ▶ *State of the Assets Reporting is achievable and can be extended across Australia to all Councils to show actual service level trends for Local Government*

National State of the Assets Pilot Report
JRA for ALGA – November 2012

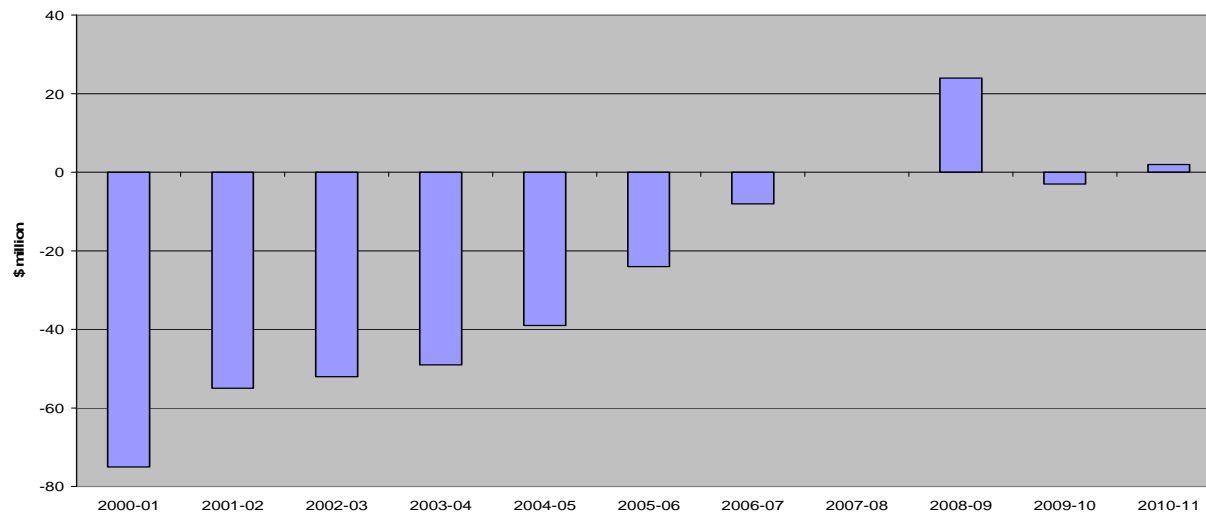
The logo for the Joint Reporting Arrangement (JRA), featuring the letters 'JRA' in a stylized, blue, three-dimensional font with a white outline, set against a blue background with a diagonal grid pattern.The logo for Waugh, featuring a green circular icon with a white grid pattern above the word 'WAUGH' in a bold, orange, sans-serif font. Below 'WAUGH' is the tagline 'ideas | analysis | solutions' in a smaller, green, sans-serif font.



South Australia

- ▶ Backlog is under Control after 10 years – shift spending from new to renewal.

Chart 1: Local Government Sector - Operating Surplus/(Deficit)



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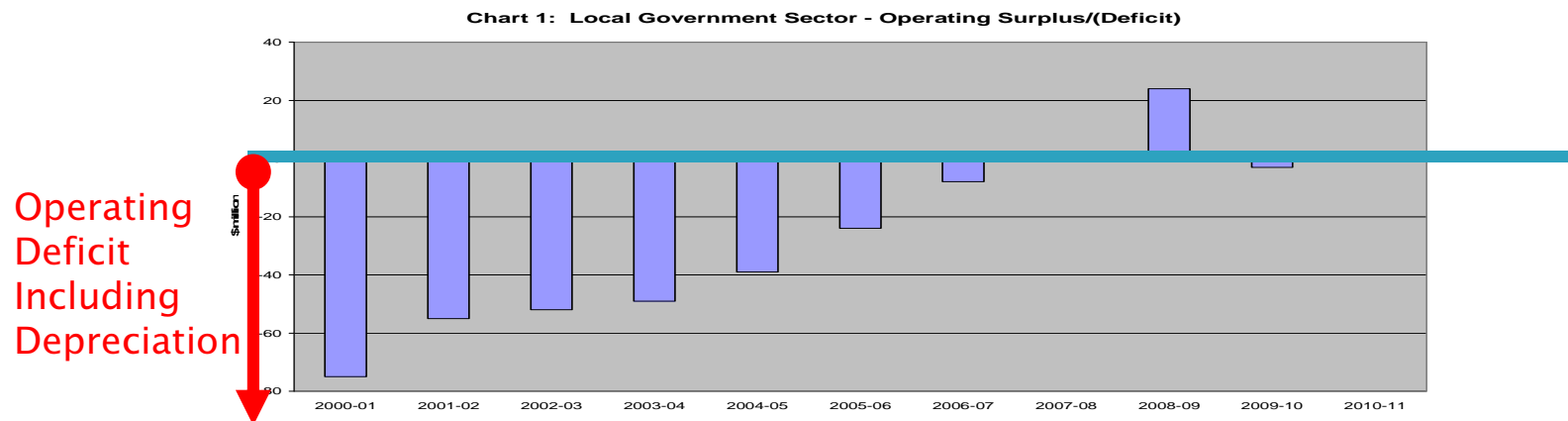
LTFP – Asset
Management Plans in
place since 2005


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South Australia

- ▶ Backlog is under Control after 10 years – shift spending from new to renewal.



2000 Infrastructure Study Recommendations
Implemented (Burns, Roorda)
2005 AMPs, LTFP Made Mandatory (State wide
implementation of NAMSPLUS templates)

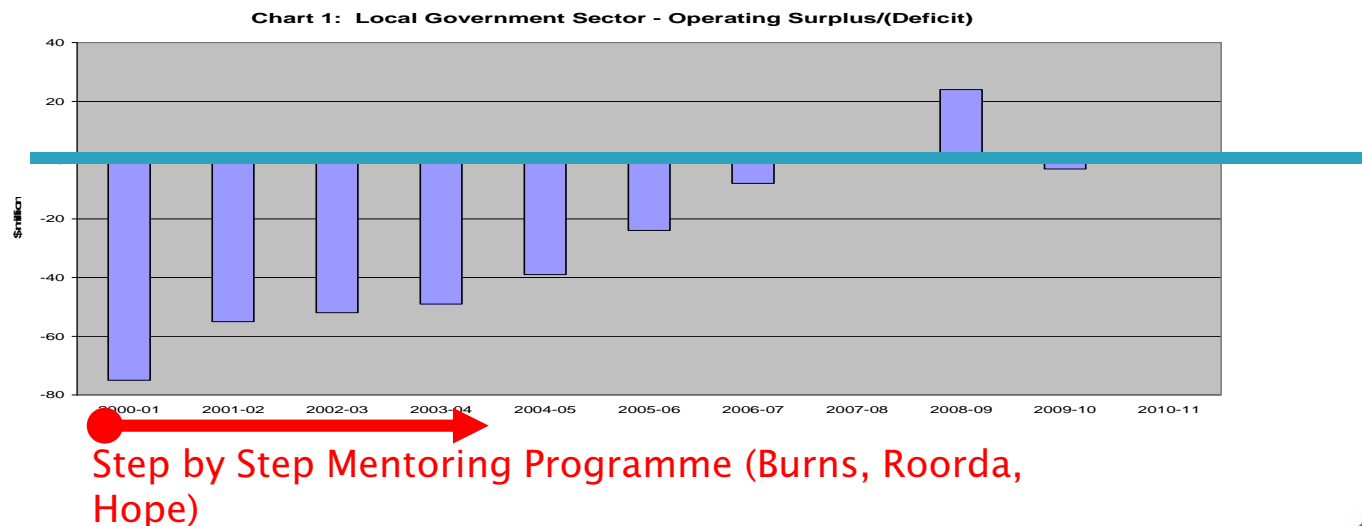
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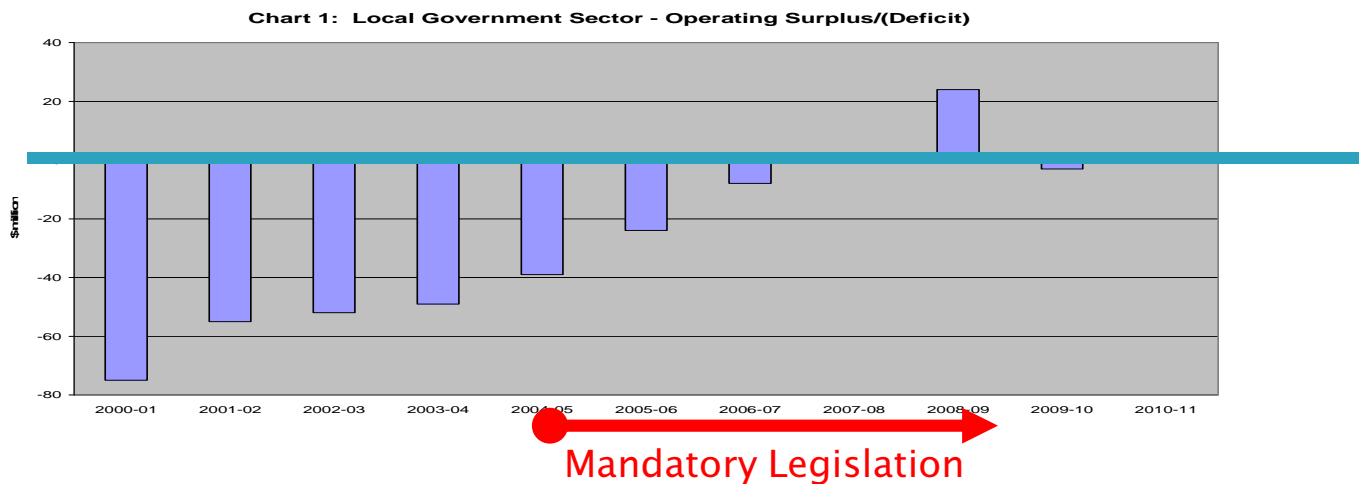
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2005 AMPs, LTFP Made
Mandatory (State wide implementation
of NAMSPLUS templates)

Appropriate Levels of Practice based on Benefit, Cost, Risk

Resources
People/Process/
Technology

High

Low

Failure Risk

Perceived
Benefit Cost to
Community

Low

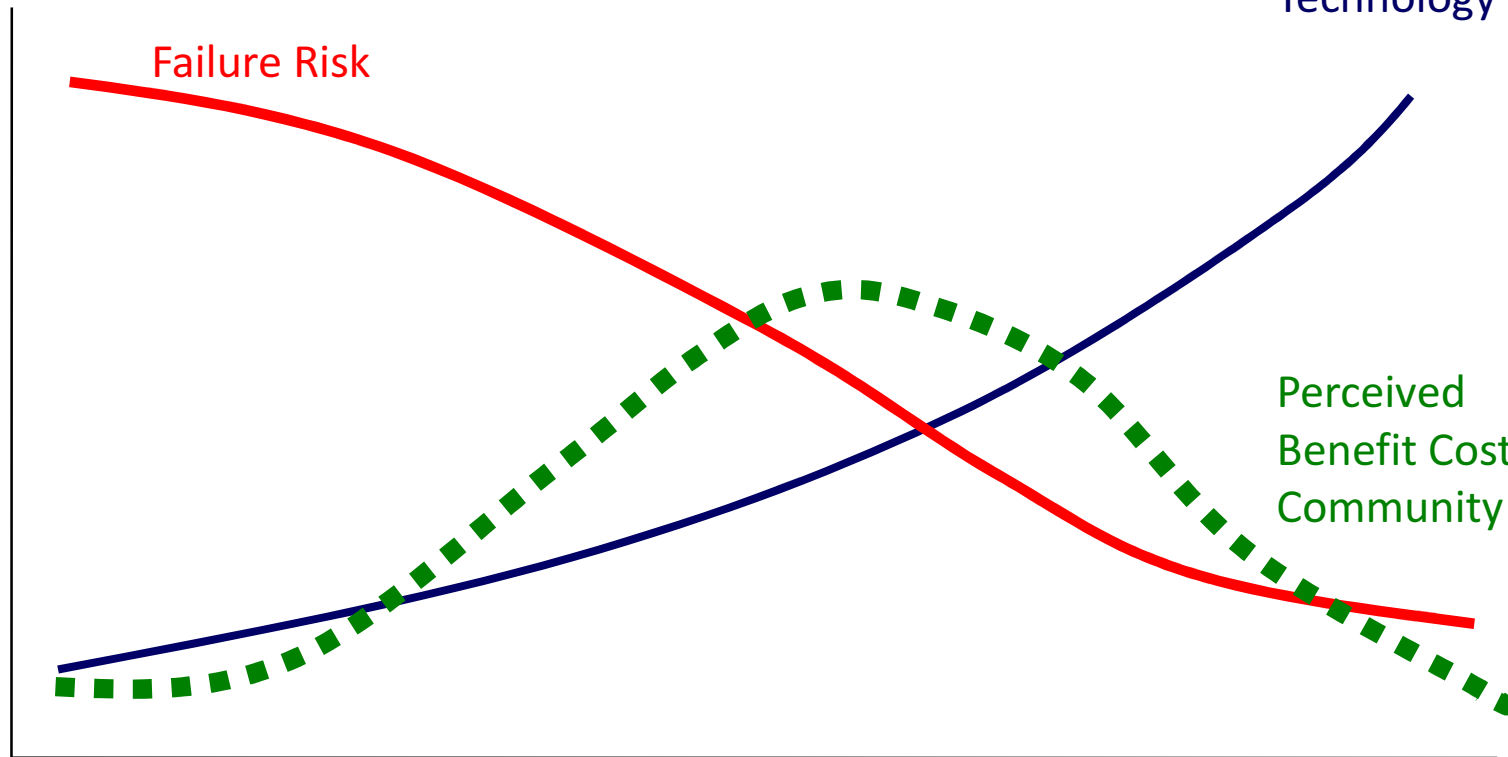
AM Complexity

High



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USA – Governments with Deteriorating Assets, Limited Growth and Too Much Debt ...

U.S. public transportation assets – “many have aged to a point at or beyond the recommended interval for rehabilitation or replacement.”

“these operators expect they will suffer significant reductions in system reliability, which may eventually result in restricted transit service.”

US Transportation Research Board 2012

LTFP – Asset Management
Plans made Mandatory in
2012 under MAP-21

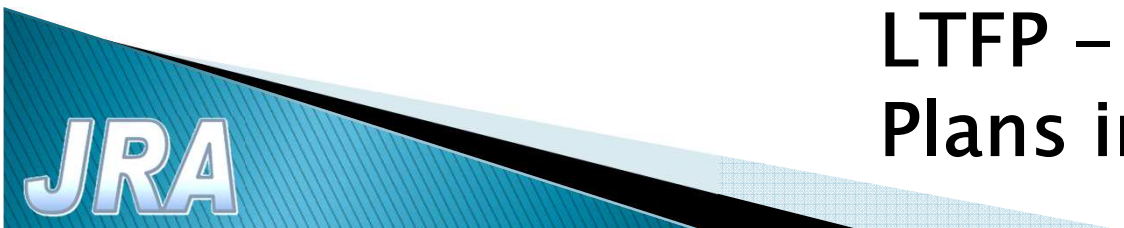
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New Zealand

- ▶ Is Backlog is under Control?
- ▶ Asset management plans and long term financial plans are audited.
- ▶ Are Service level trends monitored by government?
- ▶ Shift spending from new to renewal
- ▶ Councils that have expanded services and assets have increased rates and debt



LTFP – Asset Management
Plans in place since 1997



Local Government can be financially sustainable and provide high quality and excellent services. Others have done it.



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But It won't be easy and it requires
a focus on making asset management a
core corporate responsibility



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Next Steps

- ▶ Australian councils have made some progress in asset management data collection and system development. There is now an opportunity to move beyond first generation Asset Management Plans.
- ▶ The 'how to' will differ from council to council and will therefore require the successful engagement with all decision makers in planning a way forward.



The Mandatory Approach

► Advantages

- Resources allocated
- Political and Senior Management effort to achieve mandatory outputs
- Requirement to meet minimum specified level
- Consistent approach allows State/National comparisons
- Resources mobilised industry wide – NAMS, IPWEA NAMSPLUS2





The Mandatory Approach

▶ Disadvantages

- AM becomes a compliance exercise
- If compliance critical thinking is often missed
- AM can become Engineers budget bid
- If compliance community discussions of service and affordability can be missed

▶ Consequences

- All authorities reach a core AM level
- AM planning informs community and political debates



Informed Decision Making

- ▶ Capacity building must continue in councils. This should include an emphasis on council's governance role in understanding and accepting risks of cumulative consequences of decisions particularly with a possible influx of new Councillors.
- ▶ Training and support at all levels will be needed to achieve political and executive engagement in aspirational and affordable scenarios.



A Governance Responsibility

- ▶ Infrastructure is a whole of Government responsibility. Asset management is a core governance responsibility for Councils.
- ▶ Councils that have asset management plans, live within their means and are adversely affected by cost shifting, low growth and growing costs need help. Good asset management is essential to communicate service level and risk impacts on these communities



Conclusion

- ▶ AM is mandated – required practice
- ▶ AM is changing the public debate
- ▶ Political decision makers must be involved
- ▶ Cost of service provision is an issue
- ▶ Many technical challenges and debates going forward
- ▶ AM must become a tool to enable political and community decision makers