

Strategic Investment in Infrastructure

“Are we providing
Value for Money”



JRA



WAUGH
ideas | analysis | solutions

- The community expects its Government to spend community wealth wisely.
- And that infrastructure is managed so that people are safe and everything works the way it was designed to.

- But they don't understand and distrust people that use misleading or vague words.



JRA



WAUGH
ideas | analysis | solutions

'uncontained failure' = an explosion



JRA



WAUGH
ideas | analysis | solutions

Infrastructure Renewal Gap = The bridge failed



JRA

And some more...

- Add value = *'To agree with one's boss.'*
- Resource = *a person - like you or your child or mother*
- Collateral damage = *hurting innocent people*
- Smart bomb = *one that hurts less innocent people*
- Light Up = *we just shot and killed a person*
- Negative patient outcome = *you got worse or died.*
- Vertical Fiscal Imbalance = *Your rates don't cover costs*
- Resource re-Balancing = *you're sacked*
- Outsource = *you're sacked and your rates, water, sewer and electricity bills will probably go up.*



JRA



WAUGH
ideas | analysis | solutions

Is There Public Confidence In Government Capacity for Providing Value For Money Infrastructure?

Some say yes, research suggests no, but it is at risk if we don't clearly demonstrate 3 things...



JRA



WAUGH
ideas | analysis | solutions

TSD (transparent service delivery) = Asset Management for Non Asset Managers (AM4NAM) ...

1. Risk Management = Community assets are safe and work the way they are designed to.
2. Value for money service provision = everyone can see we don't waste money.
3. Open and transparent governance = we don't hide our mistakes nor pretend we don't make any.

But learning from the past is not always easy in politics, and governments who say there are no risks and only good news with PPPs need to go back to history classes.

Professor Graeme Hodge Director, Centre for Regulatory Studies, Monash University, Australia



JRA



WAUGH
ideas | analysis | solutions

“The Language Game”

Privatisation = Contracting Out = Partnerships

Early 80's

80's - 90's

90's- Now

Started in
Ancient Greece -
Military

See
Outsourcing

See
Contracting
Out

- These are all contractual arrangements for funding or delivering asset based services – and only as good as the underlying asset management maturity.



JRA



WAUGH
ideas | analysis | solutions

The Controversial Projects

- Without AM4NAM
- Increasing poorly informed public conversation based on the ideology of alternative based service delivery methods.



JRA



WAUGH
ideas | analysis | solutions

The good..

- I'd highlight Airport Link as an indication of the depth of the Bligh Government's commitment. This will be the most complex road and tunnel engineering feat in Queensland's history - the largest PPP in Australia's history.
- *Hon Wayne Swan - Address to the Brisbane North Chamber of Commerce Brisbane 27 October 2008*

"First, private finance underpins the deal – it's a government 'mega-credit card' if you like. And just like our credit cards at home, it's not necessarily a bad thing for sensible purchases. But remember, you do pay for it in the end."

Professor Graeme Hodge Director, Centre for Regulatory Studies, Monash University, Australia



JRA

WAUGH
ideas | analysis | solutions

The bad...



The screenshot shows the ABC News website interface. At the top is the ABC News logo and navigation links for 'Video' and 'Audio'. Below that is a menu with categories: 'News Home', 'Just In', 'Australia', 'World', 'Business', 'Entertainment', 'Weather', and 'Sport'. A 'Hot tags' section lists various topics like 'sport', 'australia', 'rugby-league', etc. The main article is titled 'Bligh takes responsibility for poor transport planning' by Melinda Howells, posted on Wednesday, June 24, 2009. The article text includes: 'Queensland Premier Anna Bligh says she has put all government departments on notice after audit reports found problems in planning key services. The auditor-general has criticised the State Government's planning for transport and health services. The auditor-general says there has been a lack of coordination between government agencies and new infrastructure has not...'. An image of a traffic control truck is shown on the right side of the article.

"Second is the incredible legal and financial complexity of the contracts bundled together for delivering new infrastructure. Contracts for Melbourne's CityLink deal, for instance, measured several metres high and we needed a gaggle of lawyers just to interpret them so that citizens could understand what the state had signed up to!"

Professor Graeme Hodge Director,
Centre for Regulatory Studies, Monash
University, Australia

And the ugly...

theage.com.au
THE AGE

News Entertainment Business Sport Travel Tech Other Sec

BUSINESS

MARKETS MON

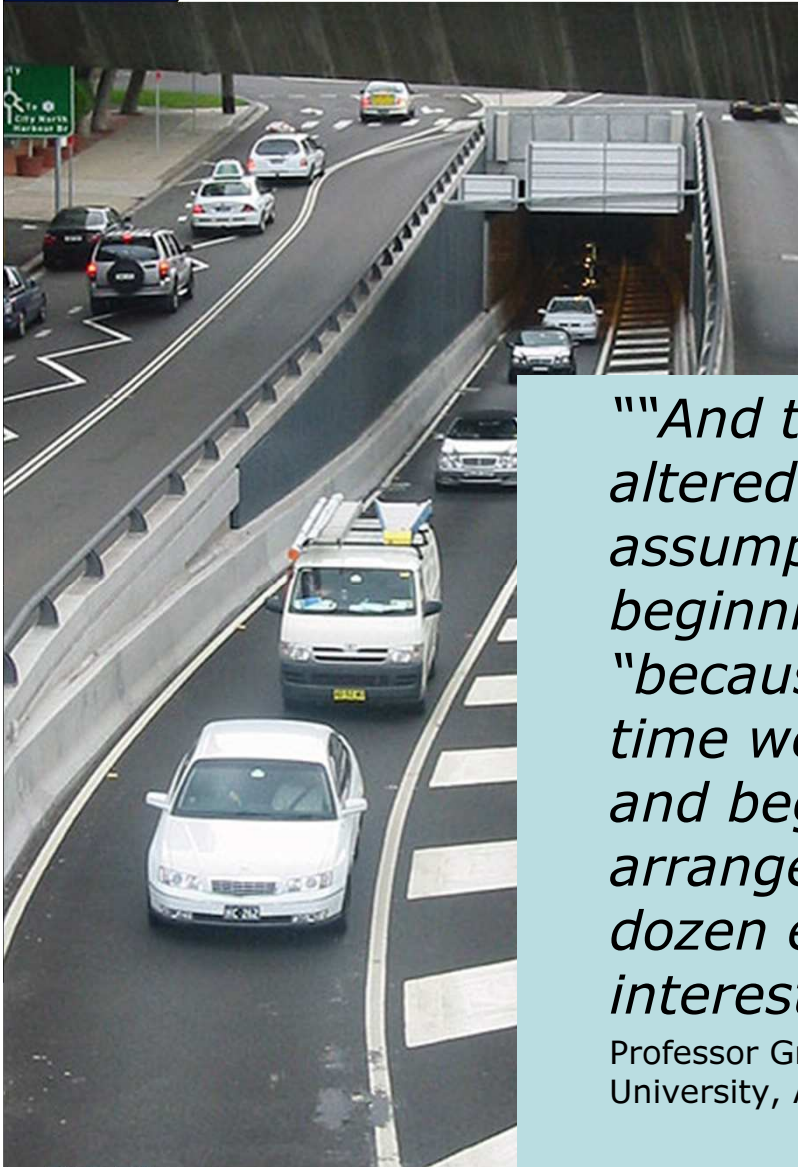
PPPs: private gain, public pain

- By July 2004 the project had fallen behind schedule and over budget by \$200 million. This was covered extensively in the media.
- Complaints about access to platforms, empty trains occupying space during the day....



And the uglier...

- The **Cross City Tunnel** is a 2.1 km-long linking Darling Harbour in the West to the Eastern Suburbs.
- In December 2006, the tollway was insolvent with debts of over AU\$500 million. The project was subsequently sold.



“And third, we have now entered an age of altered governance and accountability assumptions. Increasingly, governments are beginning to tell us that we can’t do this or that “because it’s not in the contract”. Maybe it’s time we called for greater clarity on these deals and began debating whether such long-term arrangements reduce the ability of the next dozen elected governments to govern in our interest?”

Professor Graeme Hodge Director, Centre for Regulatory Studies, Monash University, Australia

“The issue for the private infrastructure sector is that the public views the project as a dismal failure and hence their appetite for future PPPs may be diminished....”

“...the traditional pricing model for road PPPs may be flawed and alternative models may need to be developed.”

“Driving Alone-Sydney’s Cross City Tunnel”

Peter Phibbs 2008 University of Western Sydney



JRA



WAUGH
ideas | analysis | solutions

The New South Wales Auditor General Tony Harris stepped down today after seven years in the job but not before giving Australian governments a spray over too much secrecy and not enough ethics. Mr Harris also criticised what he sees as a headlong rush towards privatisation, without proper analysis of the risks and benefits.

- Friday, 20 August , 1999 ABC



JRA



WAUGH
ideas | analysis | solutions

[Print](#) [Email](#) [Share](#) [Add to My Stories](#)

Minister defends handling of NSW roads

Posted Wed Aug 16, 2006 2:20pm AEST

The New South Wales Government has defended its handling of roads after a damning report by the Auditor-General.

The report found the Roads and Traffic Authority (RTA) is putting safety at risk by delaying maintenance work.

Although the report concluded country roads have generally improved, it found the quality of Sydney's roads was below most other state capitals.

Roads Minister James Spillane blamed the report on "increased traffic volumes and decreased Commonwealth funding" and said the RTA had "not always prioritised its maintenance priorities."

"There's been a tension between the tension of rebuilding the road network and the tension of maintaining it," he said.

"The Auditor-General's report has highlighted the tension that we need to work through," he said.

Hey wait a minute!!!!
This was one of those outsourcing contracts.

**JRA**

Auditor General says neglected WA roads need \$800m fix

Font size: A- A+ Email article: Print article: Submit c

June 17, 2009 01:30pm

WA's ailing road network will take \$800 million to fix and 250 years to rebuild at current maintenance rates, the Auditor-General says.

WA Auditor-General Colin Murphy has also warned that motorists face higher safety risks because maintenance is so far behind.

In a report tabled in parliament today, Mr Murphy said the state's road network was suffering from neglect.

There'd been a failure to stick to maintenance schedules and it would cost about \$800 million to complete the backlog of overdue road works, he said in the report.

More than one quarter of the road network was overdue for resurfacing, and almost one third of all roads had reached the end of their design life.

Roads were at higher risk of failing because maintenance had fallen behind, Mr Murphy warned.

"The road network is designed to be resurfaced every 15 years and rebuilt every 40. At current rates it will take 25 years to

Between 1999 and 2002 Main Road contracted out its road maintenance functions through eight contracts each lasting 10 years. The contract aimed to achieve cost savings while maintaining the condition of roads to agreed levels. Office of the Auditor General of Western Australia Report 6 June 2009



- Without AM4NAM we get a public debate based on ideology instead of talking about
 1. Risk Management = Community assets are safe and work the way they are designed to.
 2. Value for money service provision = everyone can see we don't waste money.
 3. Open and transparent governance = we don't hide our mistakes nor pretend we don't make any.



JRA



WAUGH
ideas | analysis | solutions

You are in: **Health**

Front Page Tuesday, 23 October, 2001, 08:27 GMT 09:27 UK

PFI hospitals design 'disaster'

- World
- UK
- UK Politics
- Business
- Sci/Tech
- Health**
- Background
- Briefings
- Medical notes
- Education
- Entertainment
- Talking Point
- In Depth
- AudioVideo



Hospital design impacts on patients

COMMONWEALTH GAMES

BBC SPORT

BBC Weather

Hospitals built under the Private Finance Initiative could be a disaster, says the head of the government's own advisory board Sir Stuart Lipton.

SERVICES

Daily E-mail

News Ticker

Mobiles/PDAs

Feedback

Help

Low Graphics

He has warned that many of the mistakes made with tower blocks of the 1960s are being repeated.

Some of the hospitals, he says, face basic problems like leaking sewage, unusable rooms and no air conditioning.

“
There is not enough attention to detail, not enough care, not enough commitment”

It not just in Australia



JRA



› Home › News

Disasters fail to shake Treasury resolve on PFI

30 April, 2008 | By James Illman

The Treasury has the effectiveness but insists it remains public/private partnership

At the annual conference of the Association's procurement finance head Gordon

would be published in the autumn.

"First, private finance underpins the deal – it's a government 'mega-credit card' if you like. And just like our credit cards at home, it's not necessarily a bad thing for sensible purchases. But remember, you do pay for it in the end."

Professor Graeme Hodge Director, Centre for Regulatory Studies, Monash University, Australia



Asset Managers need to use AM4NAM language to ensure

PFI / PPP / Outsourcing

- These are all contractual arrangements for asset management – and only as good as the underlying asset management maturity.



And there is a growing call for a rethink...

"And third, we have now entered an age of altered governance and accountability assumptions. Increasingly, governments are beginning to tell us that we can't do this or that "because it's not in the contract". Maybe it's time we called for greater clarity on these deals and began debating whether such long-term arrangements reduce the ability of the next dozen elected governments to govern in our interest?"

Professor Graeme Hodge Director, Centre for Regulatory Studies, Monash University, Australia



JRA



WAUGH
ideas | analysis | solutions

"Second is the incredible legal and financial complexity of the contracts bundled together for delivering new infrastructure. Contracts for Melbourne's CityLink deal, for instance, measured several metres high and we needed a gaggle of lawyers just to interpret them so that citizens could understand what the state had signed up to! "



JRA



WAUGH
ideas | analysis | solutions

"And third, we have now entered an age of altered governance and accountability assumptions. Increasingly, governments are beginning to tell us that we can't do this or that "because it's not in the contract". Maybe it's time we called for greater clarity on these deals and began debating whether such long-term arrangements reduce the ability of the next dozen elected governments to govern in our interest?"



JRA



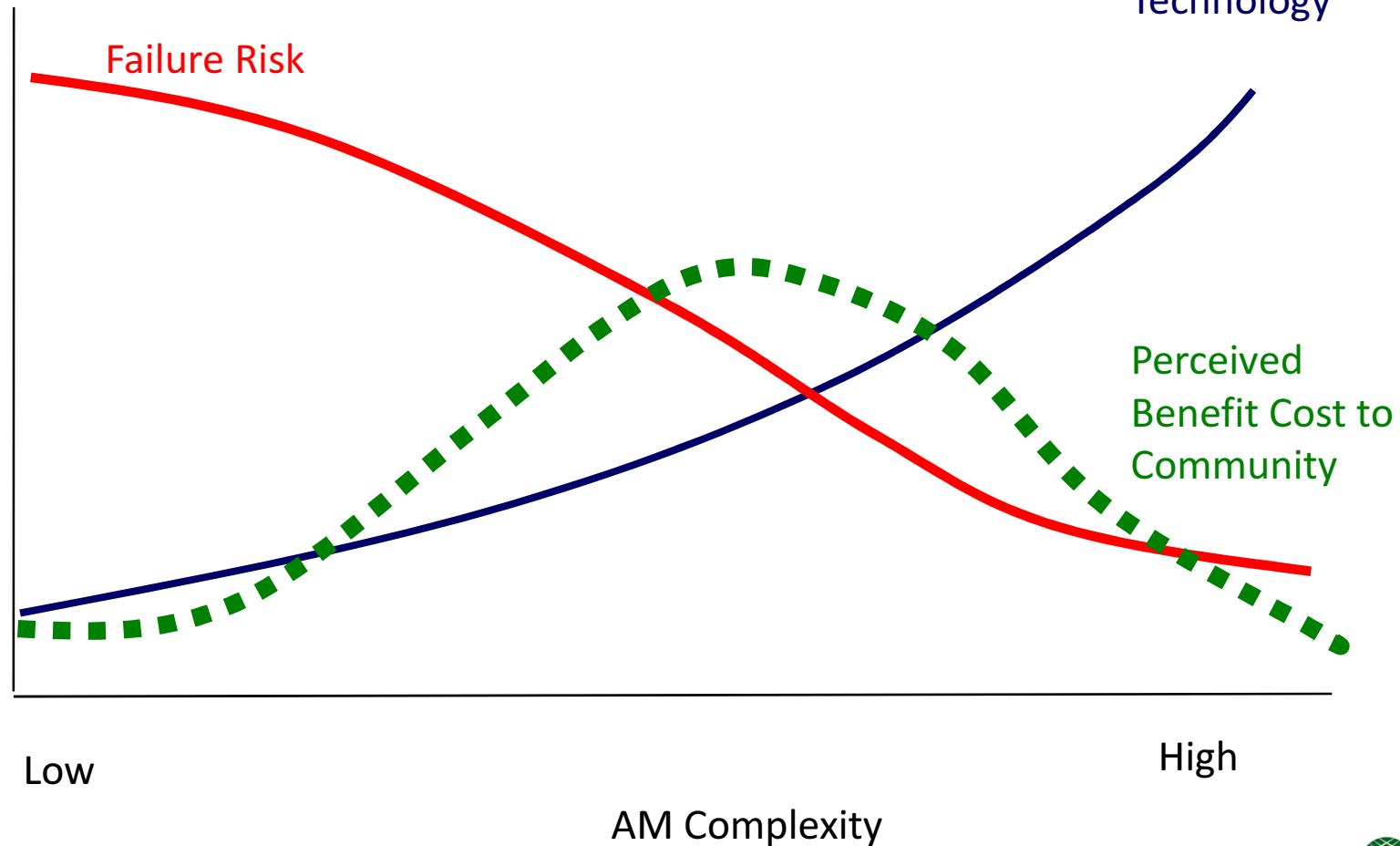
WAUGH
ideas | analysis | solutions

AM4NAM / TSD Capability Requires a Systemic Approach and Minimum Core Maturity

Resources
People/Process/
Technology

High

Low



JRA

Low TSD Maturity

Resources
People/Process/
Technology

Failure Risk

Perceived
Benefit Cost to
Community

High

Low

Low

High

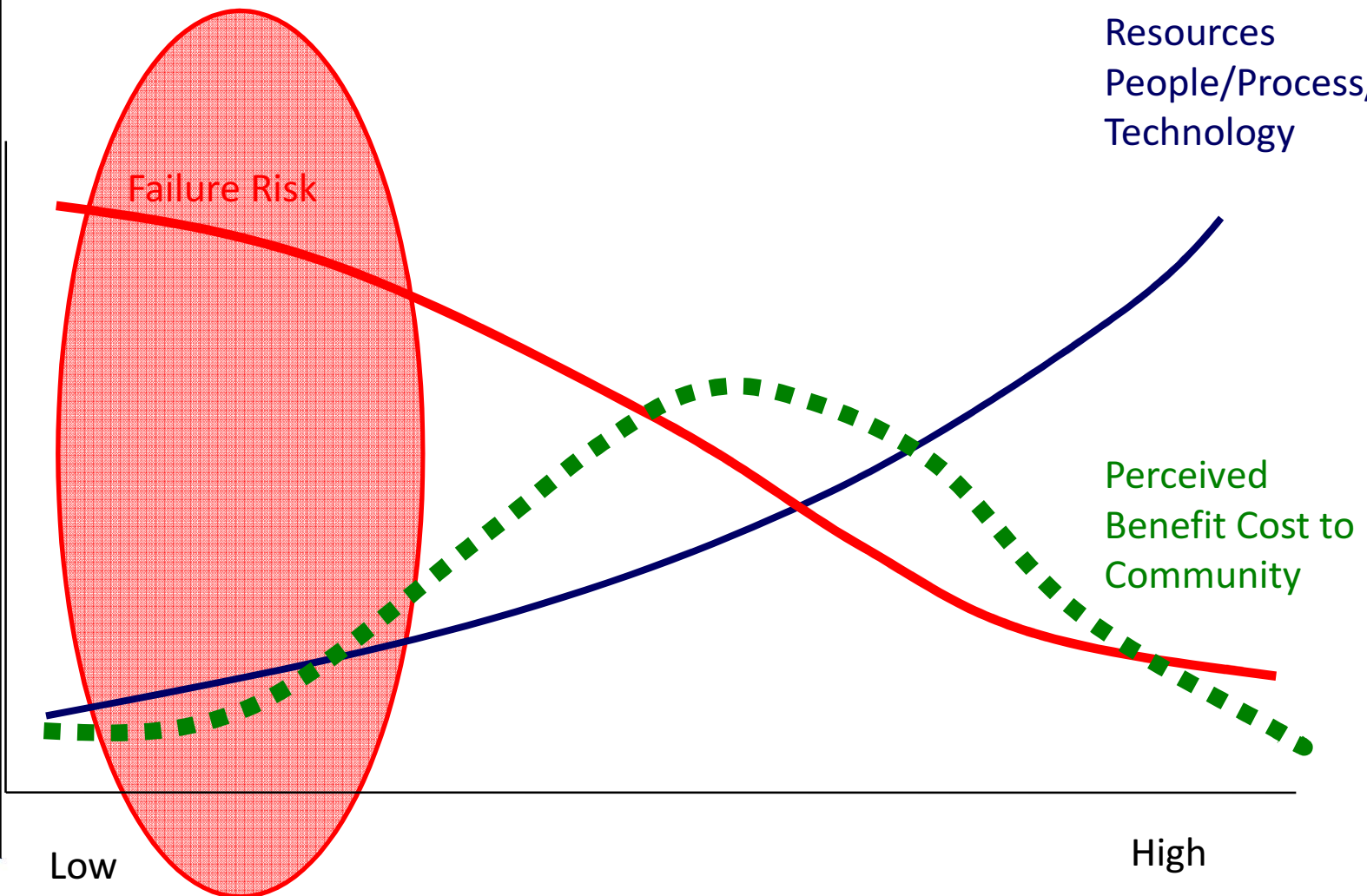
AM Complexity



JRA



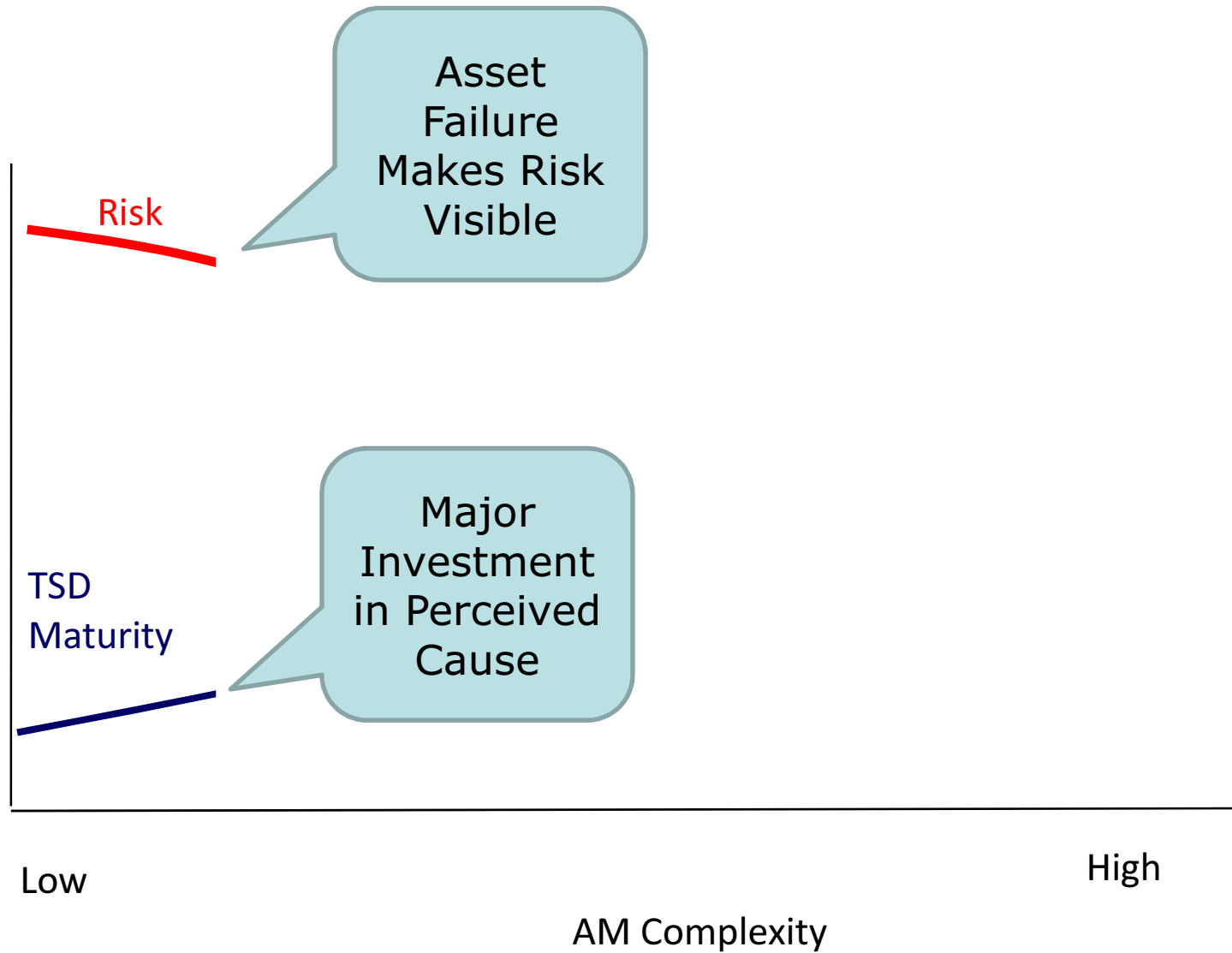
WAUGH
ideas | analysis | solutions



AM Sawtooth Effect – Stage 1

High

Low

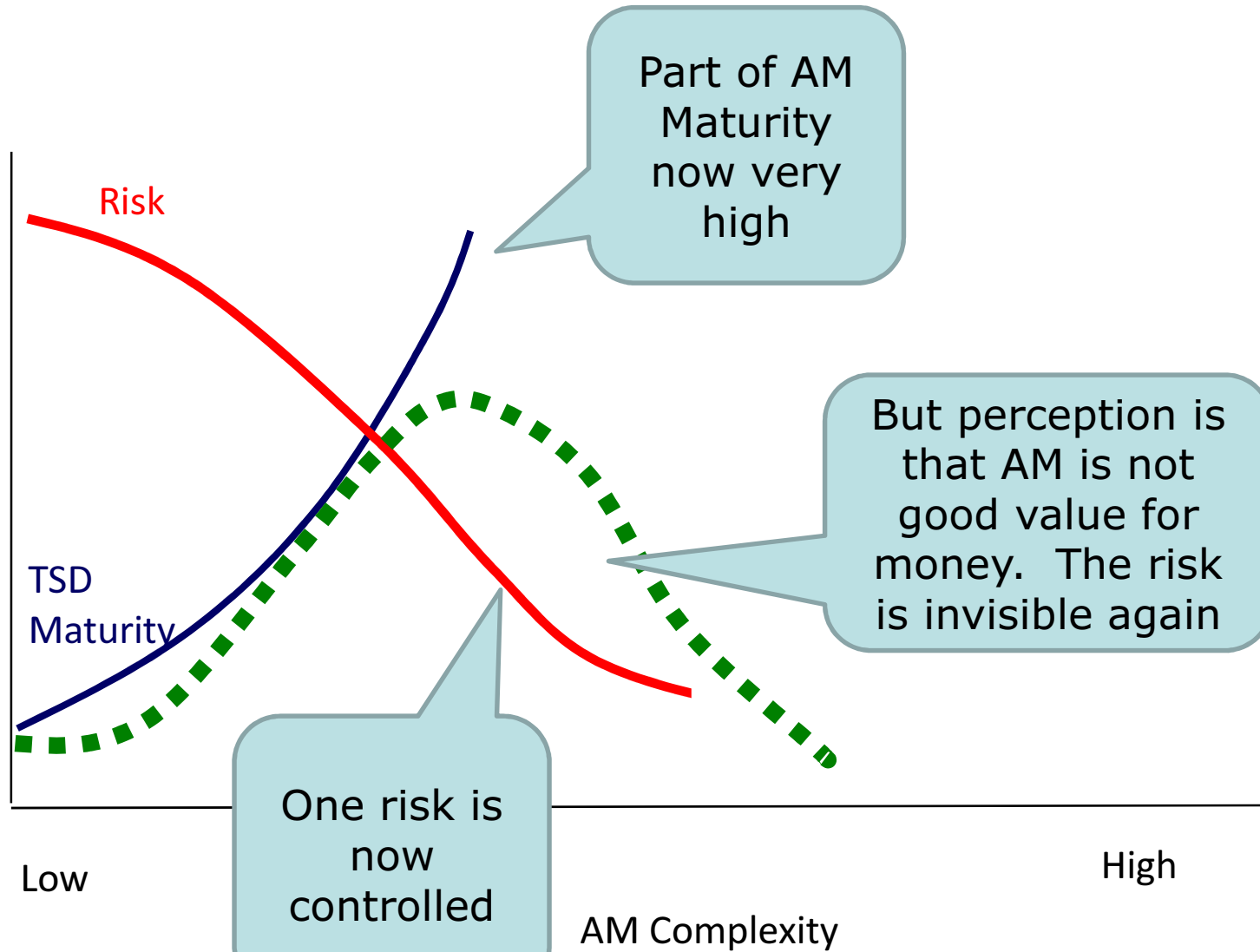


JRA

AM Sawtooth Effect – Stage 2

High

Low

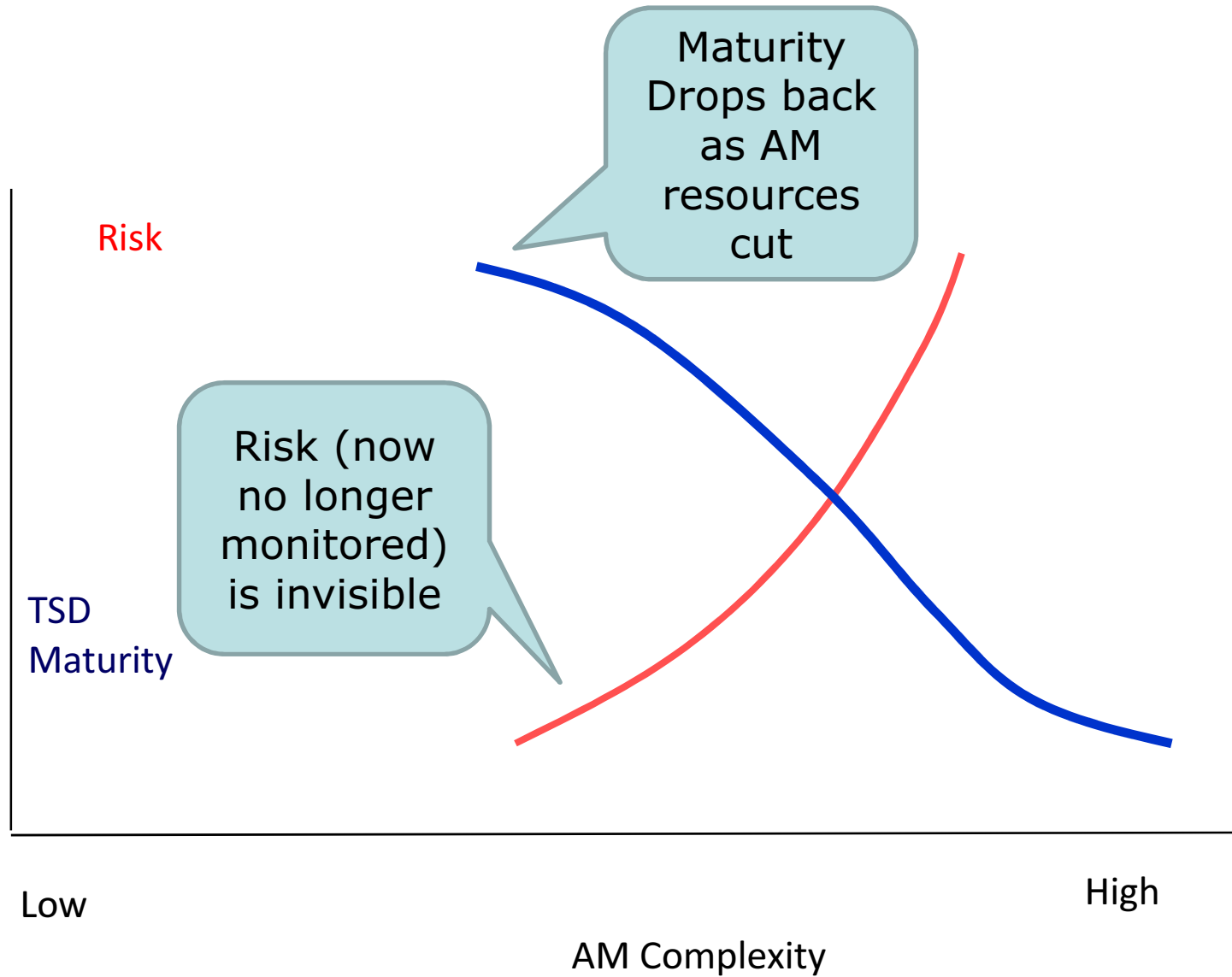


JRA

AM Sawtooth Effect – Stage 3

High

Low



JRA

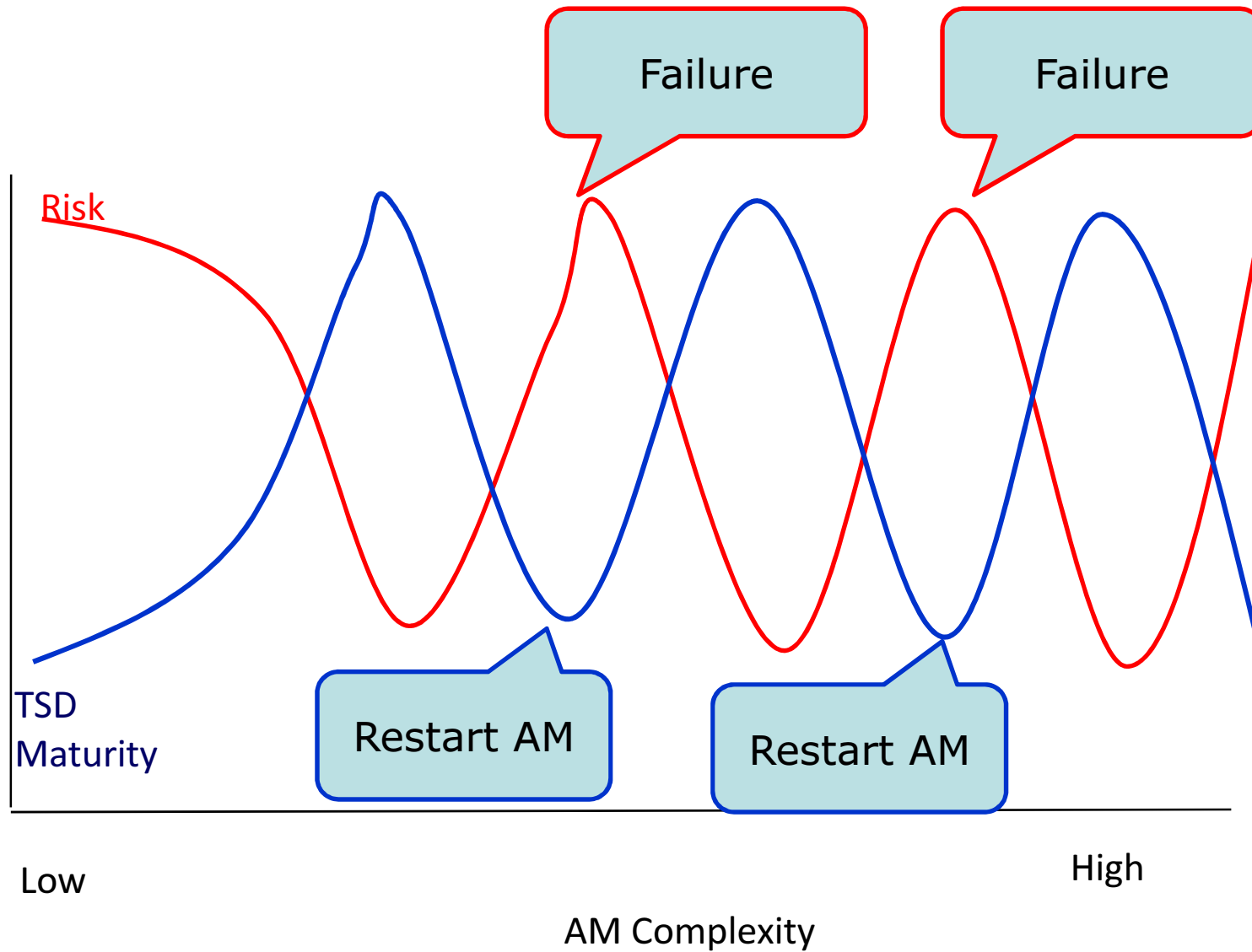


WAUGH
ideas | analysis | solutions

AM Sawtooth Effect – Cycle of Stages 1 to 3

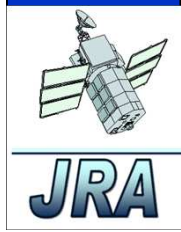
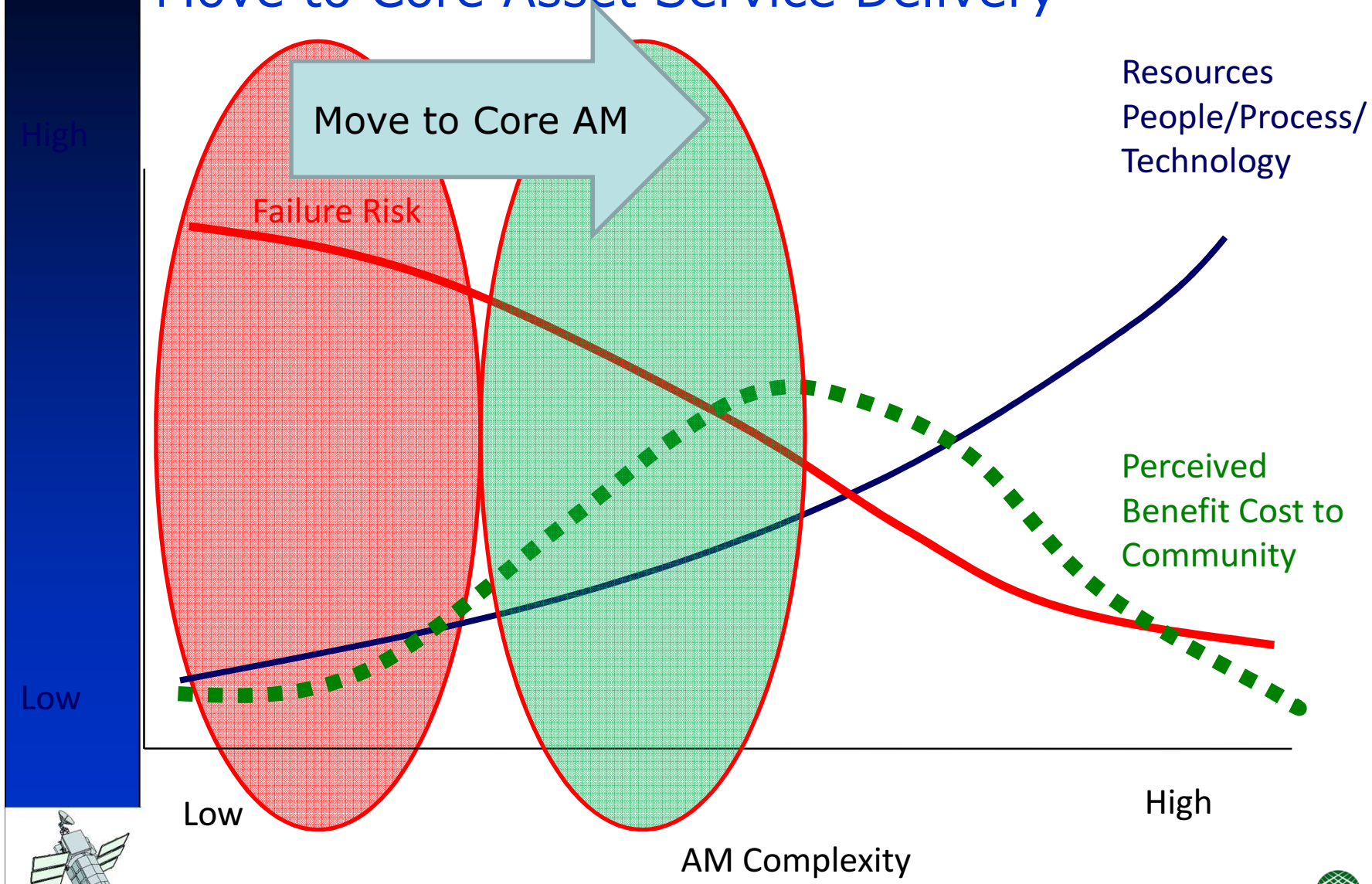
High

Low



JRA

TSD Audit Identifies Maturity Improvements to Move to Core Asset Service Delivery



TSD Maturity Model Used in Australia and USA (SDOT)

AM Theme: Asset Information Management
 AM Practice Area: Financial Reporting Skills PA_UID: 2.4
 Current Score: 2.3 Target Core: 3 Target Adv: 4
 Confidence: M
 LMH:

Custodian:
 Audit
 Frequency
 Mths:

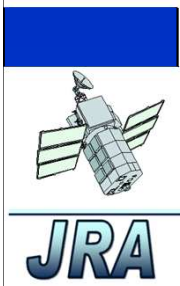
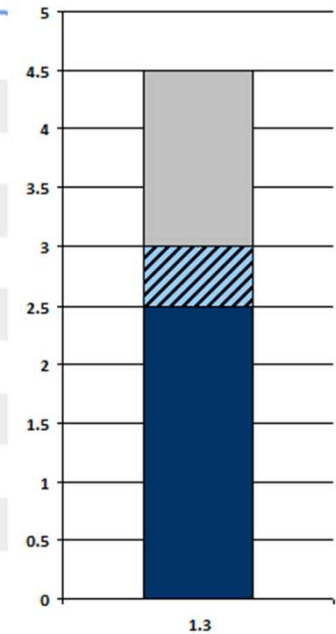
Current Risk
 Impact: Minor
 Likelihood: Unlikely
 Score: 40

Core Target Risk
 Impact: Insignificant
 Likelihood: Rare
 Score: 20

Question: Does Organisation have the skills & knowledge to perform asset financial reporting activities?

MaturityScore	Result	Characteristic
5.0	<input type="radio"/>	Optimum level of resources determined and reviewed annually
4.0	<input type="radio"/>	Defined approach to build internal capability or use external resources for key activities _ resource plan in place
3.0	<input checked="" type="radio"/>	Training program completed for internal capability building approach
3.0	<input type="radio"/>	Annual or bi-annual audit of skills & knowledge scheduled
3.0	<input checked="" type="radio"/>	Contingency plans in place to ensure continuity of activities when staff turnover occurs
3.0	<input checked="" type="radio"/>	Documented training program for internal capability building approach
2.0	<input checked="" type="radio"/>	Skill & knowledge requirements determined
2.0	<input checked="" type="radio"/>	Audit completed to determine current skill & knowledge levels
1.0	<input checked="" type="radio"/>	Peak workloads at end of financial year and/or pre external audit
1.0	<input checked="" type="radio"/>	Fragmented across organisation _ no consistent approach
1.0	<input checked="" type="radio"/>	Reactive processes

Maturity Level



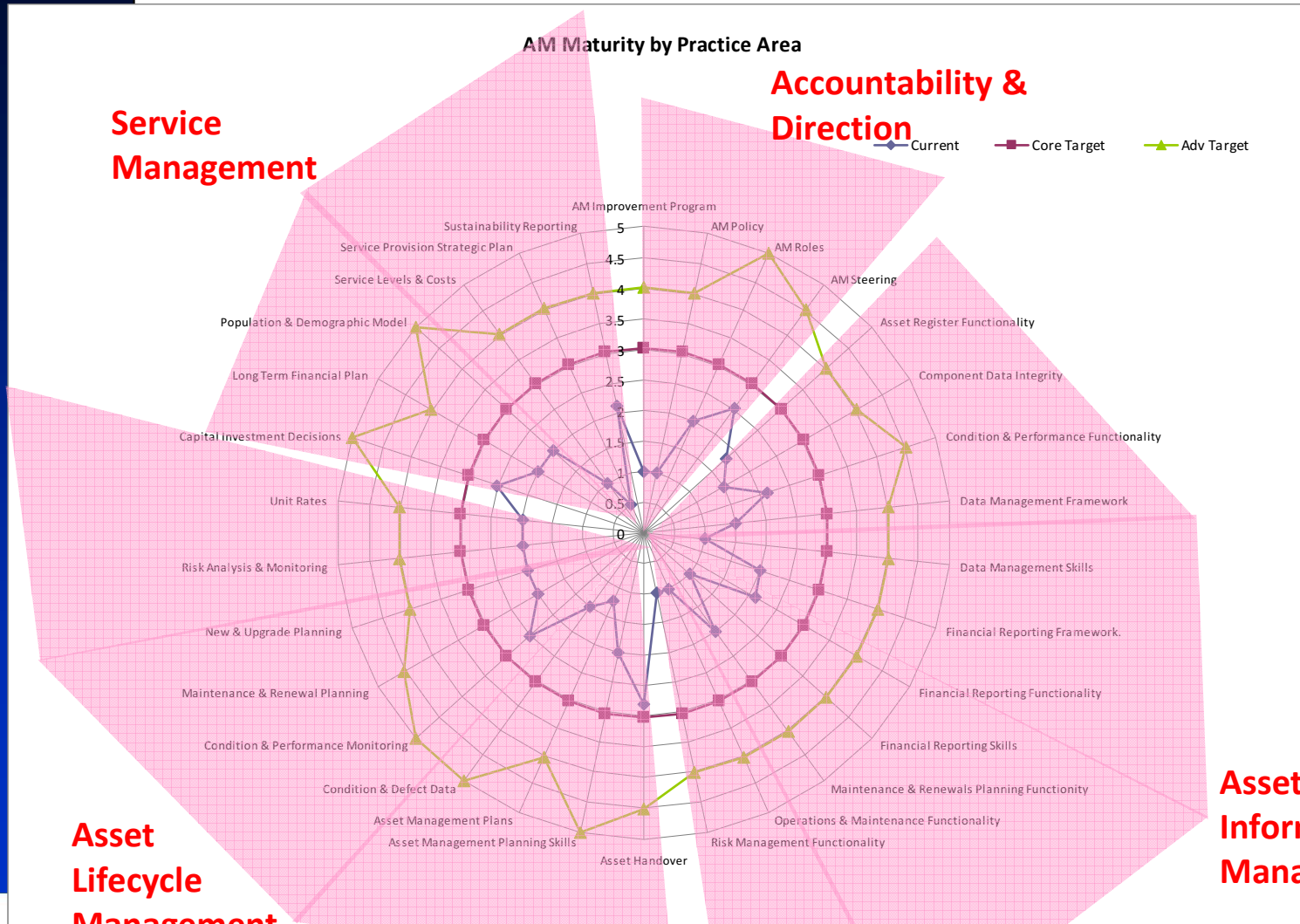
PBS Consulting

- Not Done
- Partially Done
- Done

Developed with
 Andrew Llewellyn
 Gold Coast City
 Council and
 IPWEA



AM Maturity Framework (Diagram)



Accountability & Direction



Information Management



Lifecycle Management

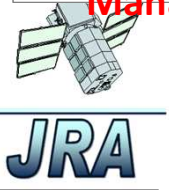


Service Management

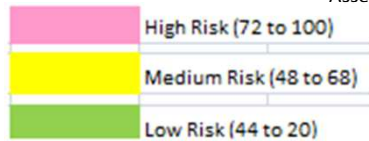
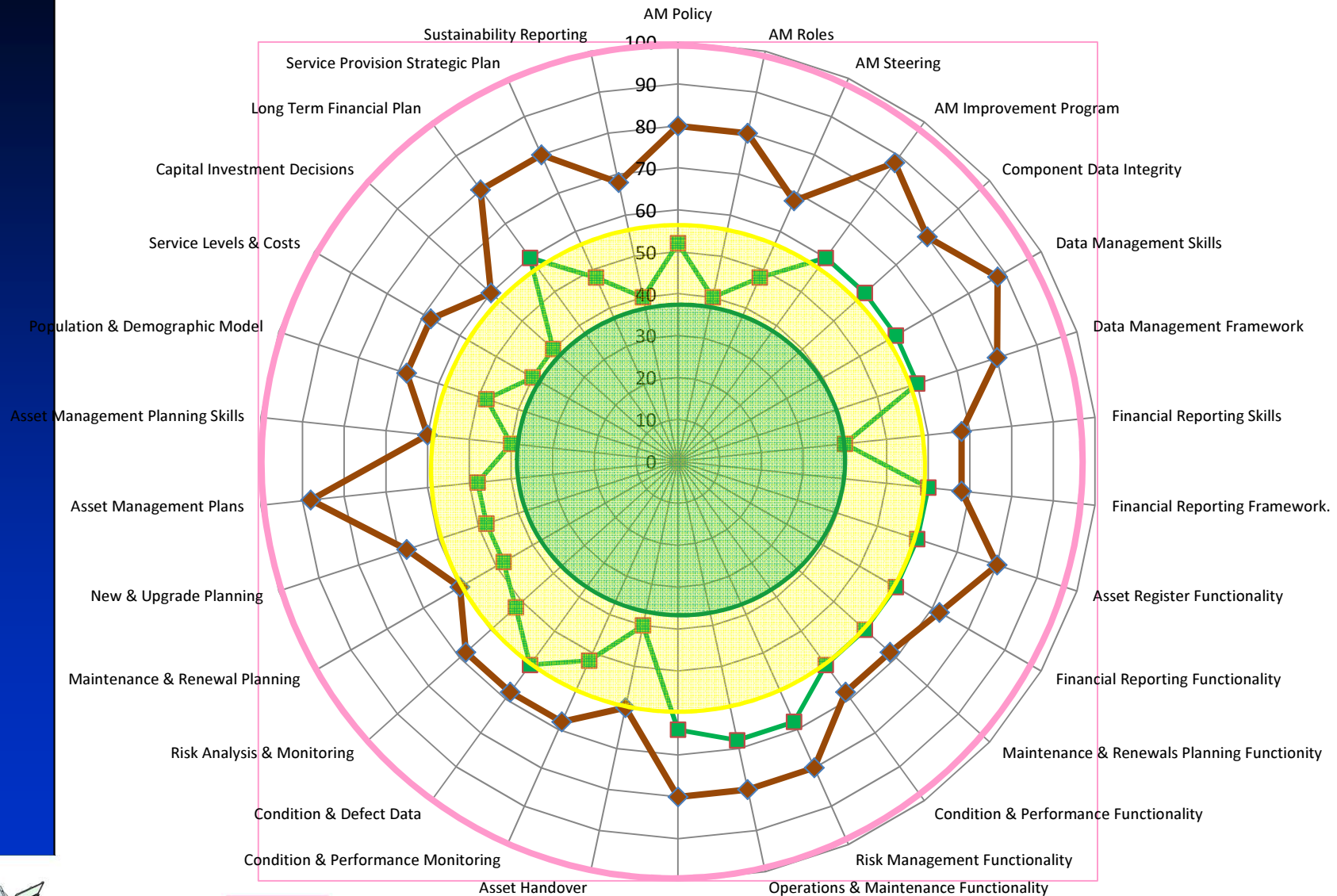
Asset Information Management

Asset Lifecycle Management

Service Management



Corporate Risk Scores - AM Practice Areas



—◆— Current Risk

—■— Target Risk (Core)



JRA



WAUGH
ideas | analysis | solutions

TSD Maturity Key Observations / Implications - How does our current AM maturity affect how well we can;

- Manage Risk?
- Report on value for money?
- Learn from our mistakes?



JRA



WAUGH
ideas | analysis | solutions

Australia is Facing Deteriorating Infrastructure but first our TSD / AM4NAM Must Improve, otherwise we could make things worse.

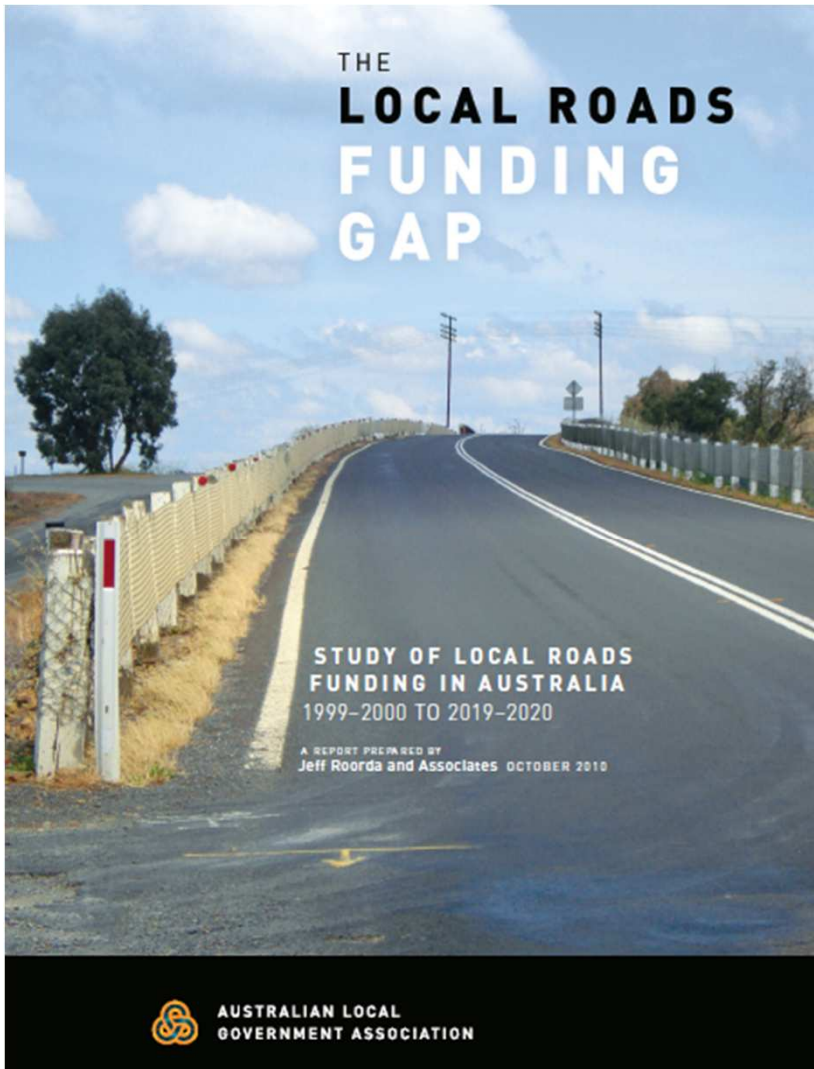
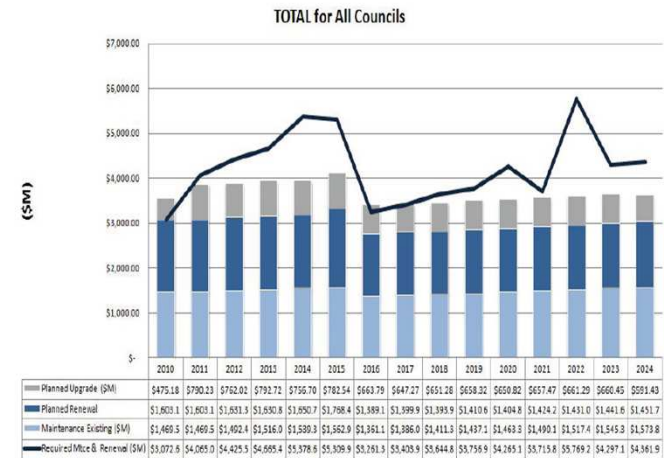
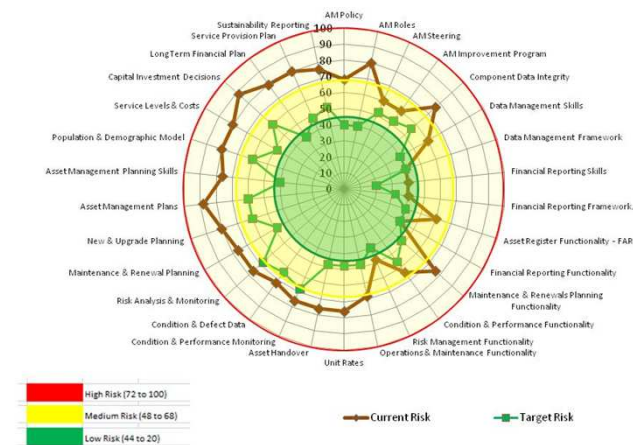


FIGURE 41 Projected Future Maintenance and Renewal Expenditure - All Councils



Corporate Risk Scores - AM Practice Areas



JRA

AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

Three American cities on the brink of broke



As seen in
other
countries

- FORTUNE -- Several downtrodden cities are on the verge of defaulting on their debt, putting financially encumbered states and taxpayers on the hook to pick up the tab. The National League of Cities says municipal governments will probably come up \$56 billion to \$83 billion short between now and 2012. That's the tab for decades of binge spending; municipal defaults could be our collective hangover.

Bankruptcy talk spreads among Calif. muni officials

- Reuters) - Two years after Vallejo, California, filed for bankruptcy protection, officials in nearby Antioch are also tossing around the 'B' word.
- Antioch's leaders earlier this month said bankruptcy could be an option for the cash-strapped city of roughly 100,000 on the eastern fringe of the San Francisco Bay area.
- Antioch's fiscal woes are standard issue for local governments in California: weak revenue from retail sales and property taxes is forcing spending cuts, layoffs and furloughs.



JRA



WAUGH
ideas | analysis | solutions

Many German local authorities nearing bankruptcy

By Elisabeth Zimmermann

21 January 2010

At the start of 2010, a number of local town and district councillors in Germany began to reveal the catastrophic current state of local authority finances. Government budget policies, together with the international financial -industrial crisis, have drastically intensified the economic pressures on many municipal and district authorities. Their level of debt in 2009 climbed to €5 billion, and it is feared that these debts could rise to €50 billion within the next five years. Hitherto unimaginable cutbacks and economy measures will be the result.

According to the German congress of municipal councils, local authority council tax revenues fell by €7 billion in 2009. Income from business taxes, the main source of revenue for local councils, fell by 18 percent. These taxes are paid by local businesses to their respective town or district governments.

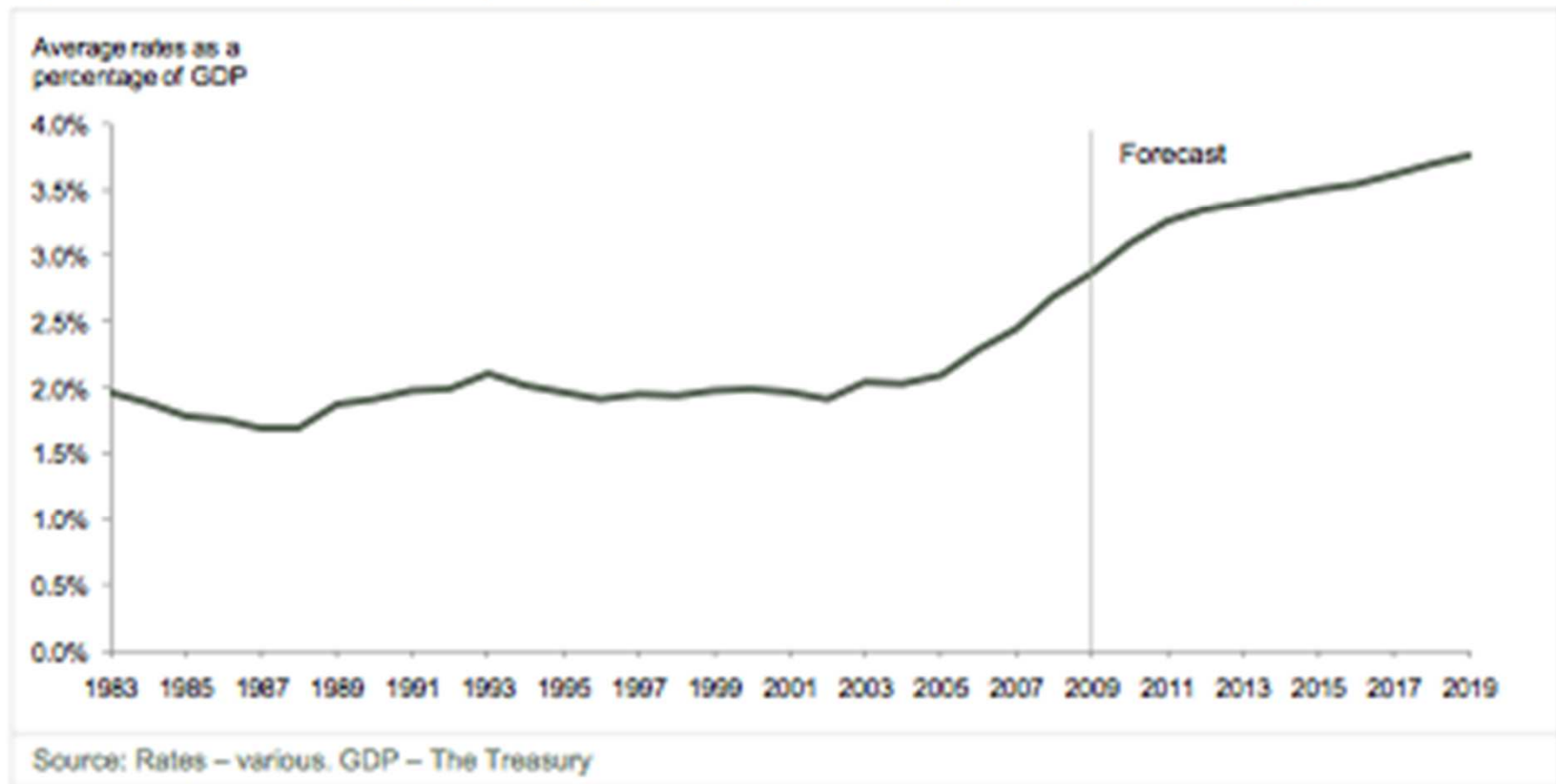
On Aug. 1, 2007, Minnesota suffered a tragedy of historic proportions when the I-35W bridge collapsed.



JRA

And in NZ...NZ LG Rates as % GDP – Issue=future affordability

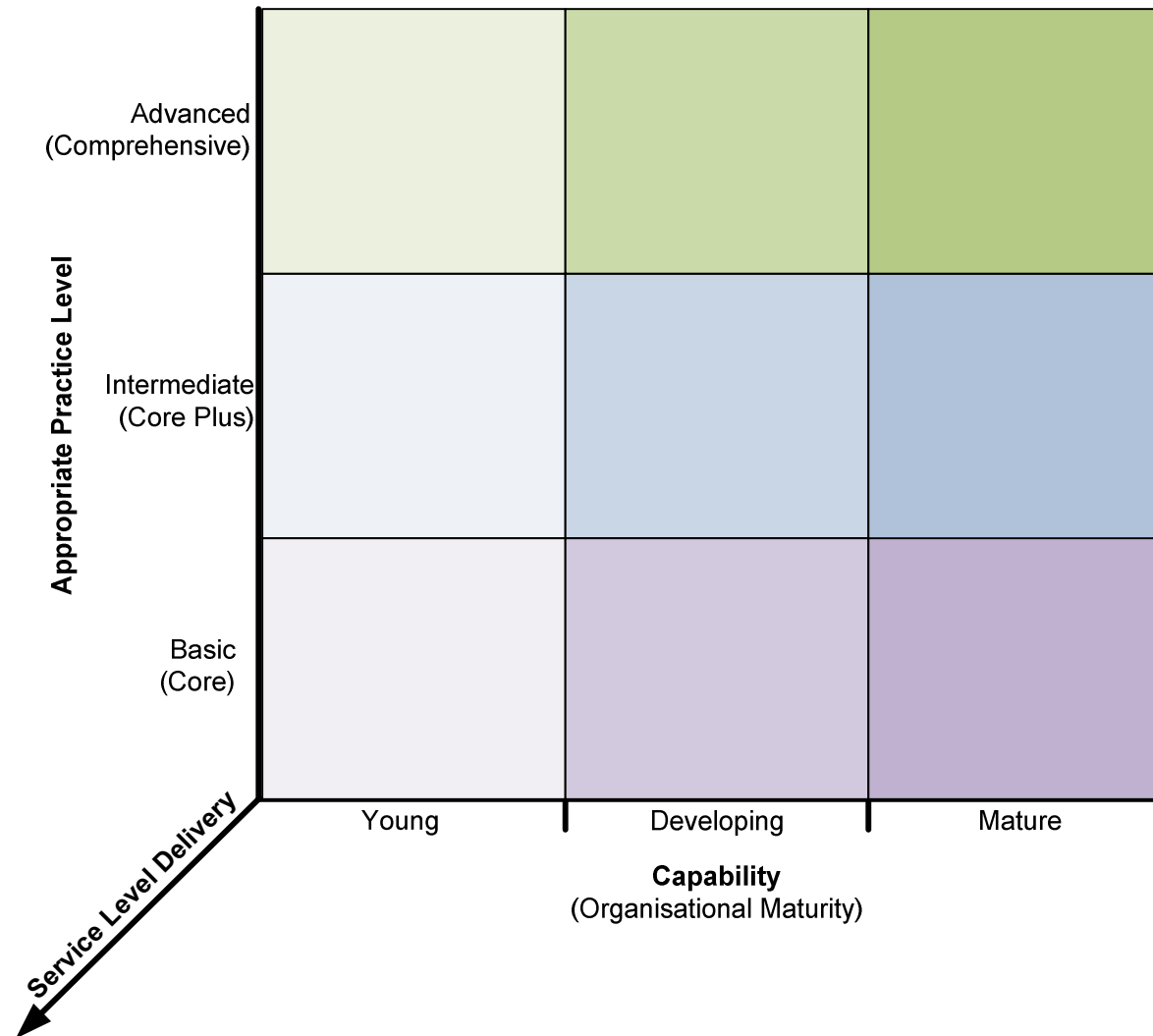
Figure 13: Annual rates charged by local government as a percentage of GDP, national average



JRA

Application of ITSD

ITSD Business Model



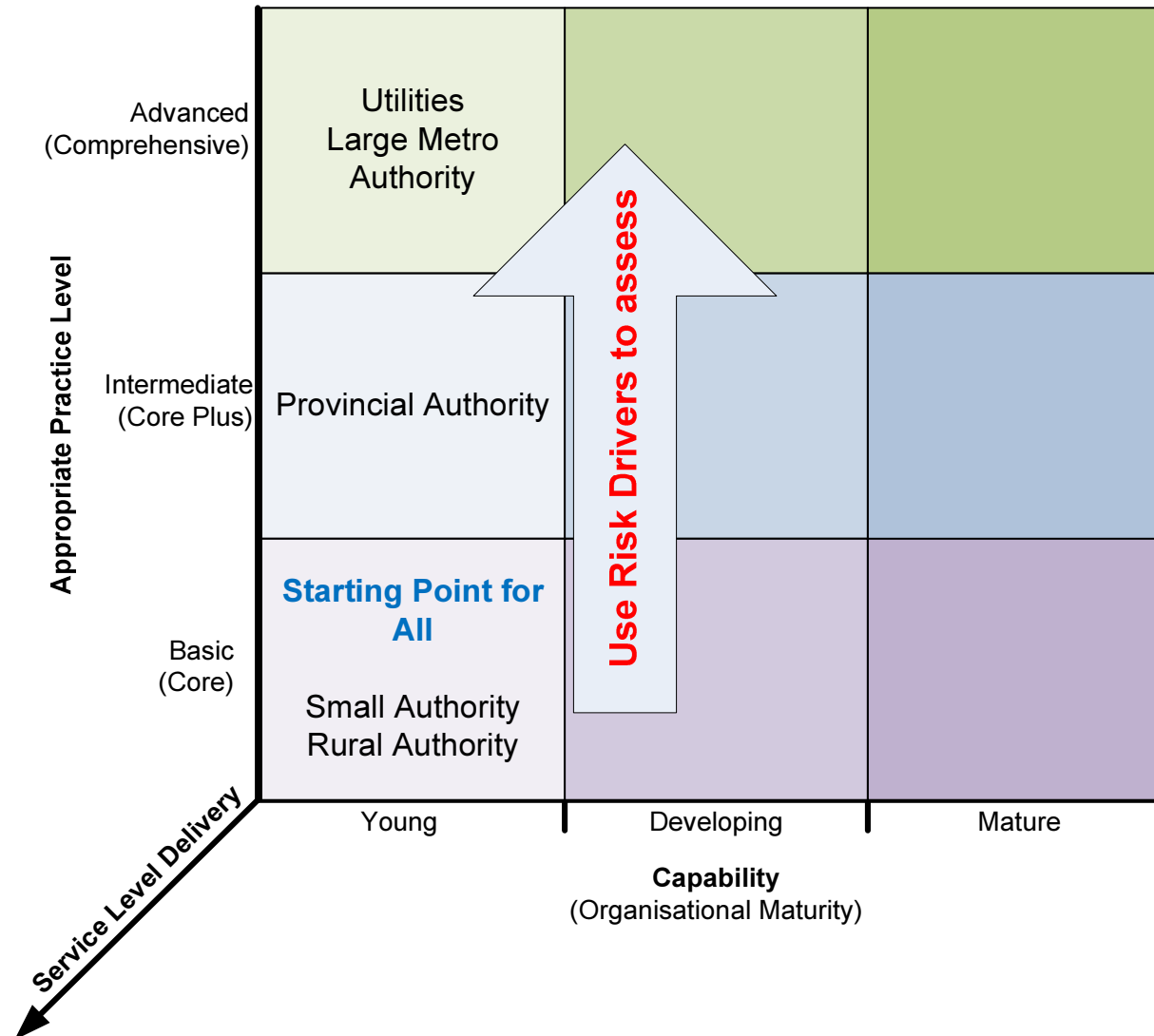
JRA



WAUGH
ideas | analysis | solutions

Assess Practice Levels

ITSD Business Model



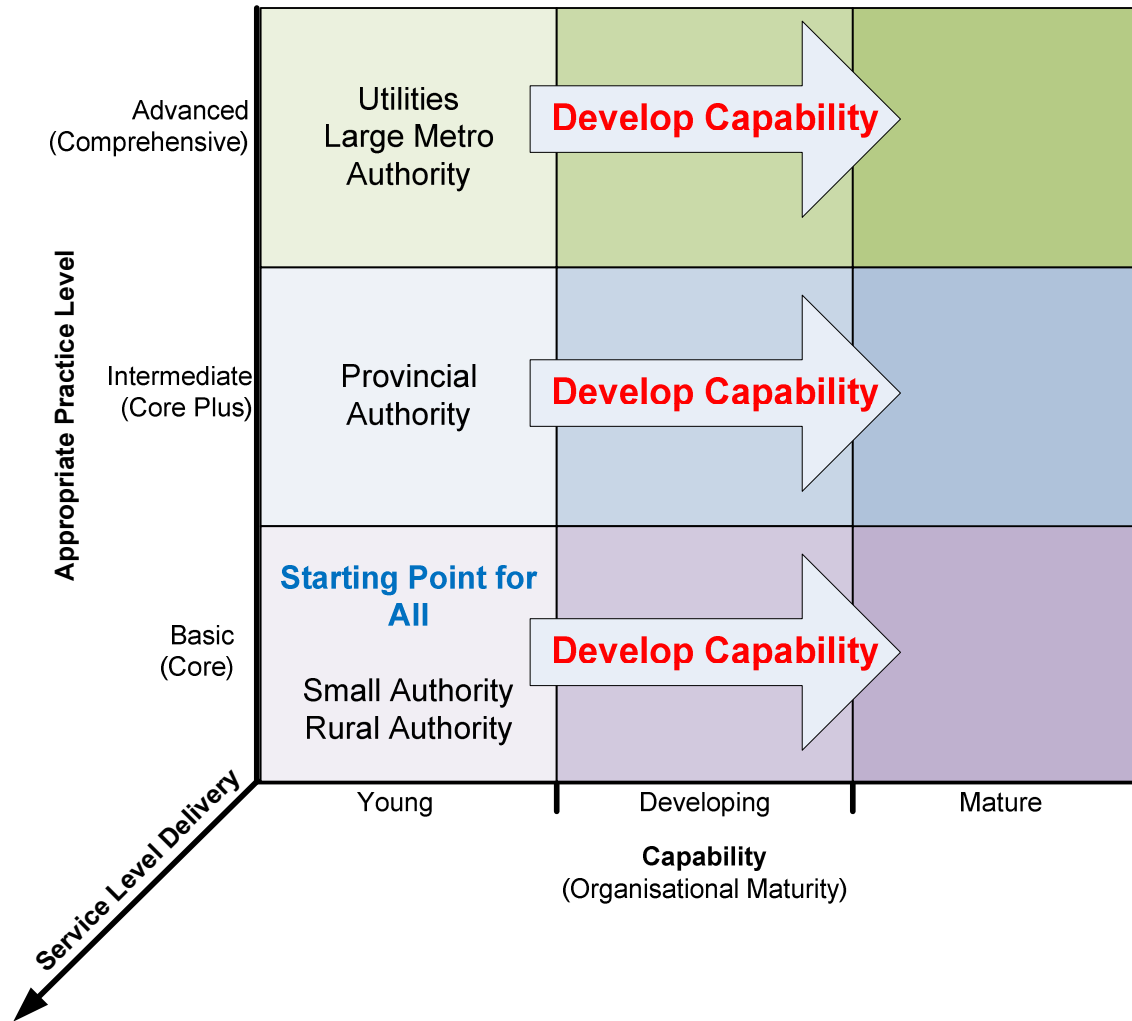
JRA



WAUGH
ideas | analysis | solutions

Develop Organizational Capability and Maturity

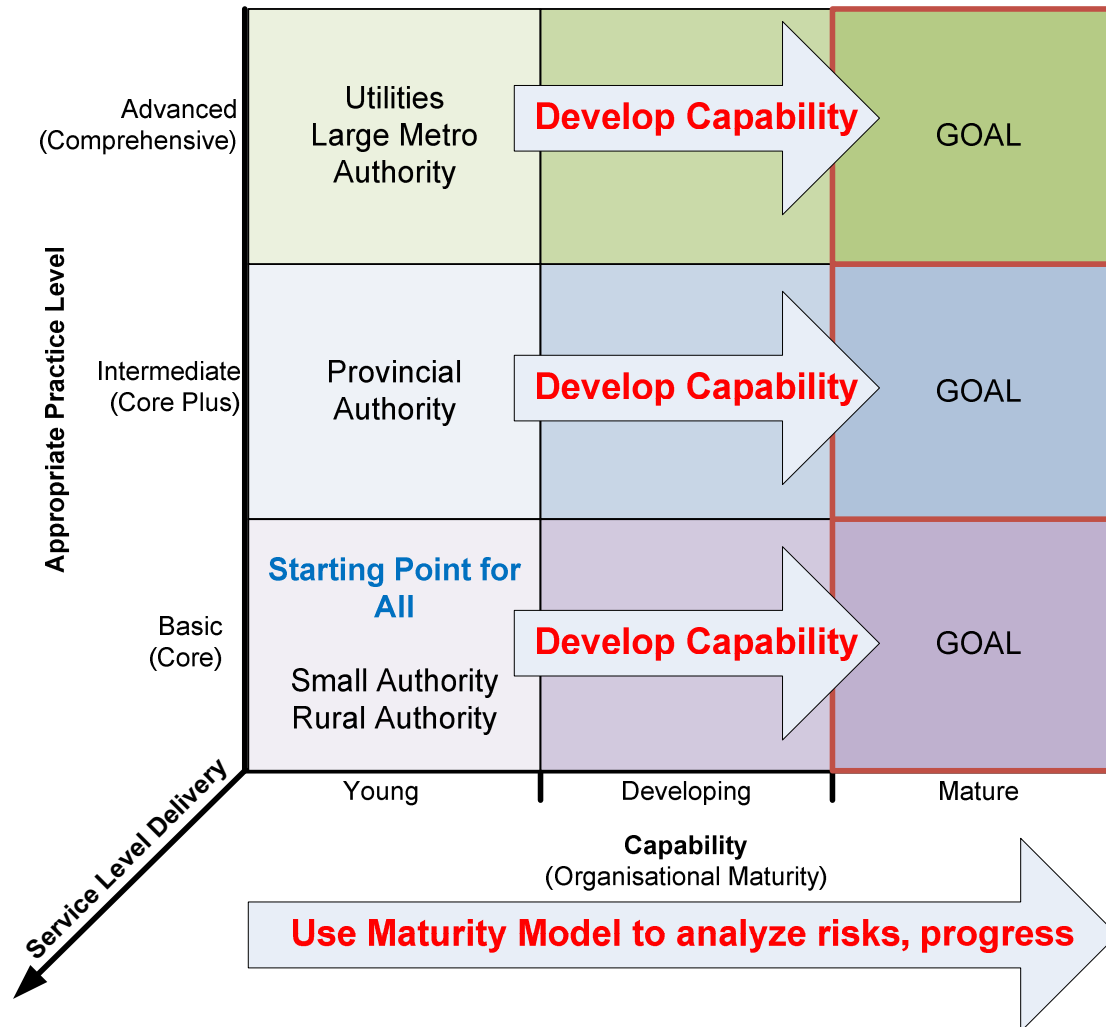
ITSD Business Model



JRA

Use ITSD Maturity Model to analyze risks, progress

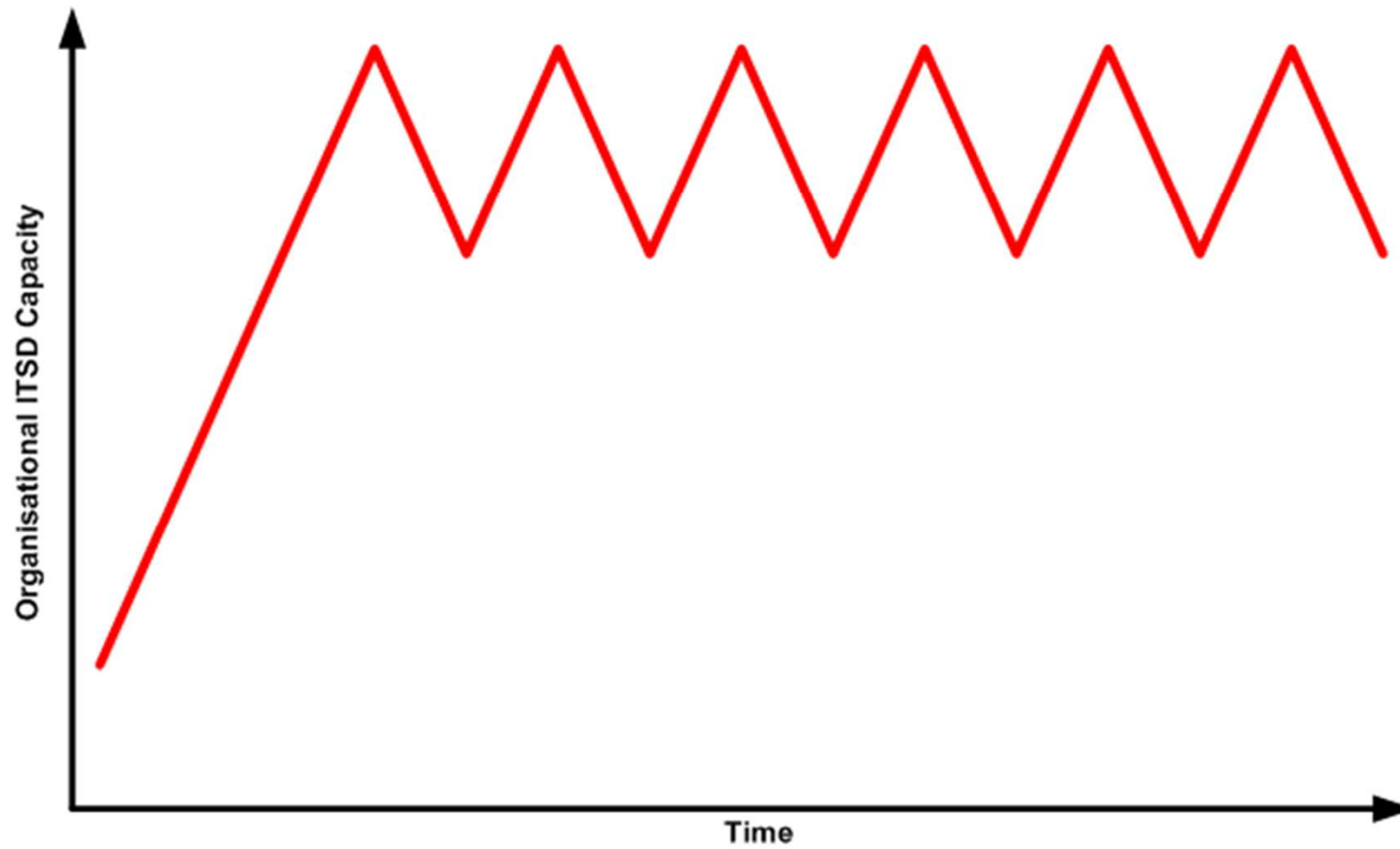
ITSD Business Model



JRA

Avoid saw tooth effect

The Saw-Tooth



JRA



WAUGH
ideas | analysis | solutions

Capability development hard work, takes time

- Governance leadership required
- Organizational change takes time
- Multiple disciplines – engineering, economics, planning, accounting
- Resistance to change
- Moving target of regulation
- Sustainability of expenditure



JRA



WAUGH
ideas | analysis | solutions

TSD Summary

- Long term organizational commitment
- Includes strategic, tactical and operational planning
- Transparency and effective management is vital
- Wise expenditure of community wealth is important



JRA



WAUGH
ideas | analysis | solutions

AM4NAM Summary

1. Risk Management = Community assets are safe and work the way they are designed to.
2. Value for money service provision = everyone can see we don't waste money.
3. Open and transparent governance = we don't hide our mistakes nor pretend we don't make any.



JRA



WAUGH
ideas | analysis | solutions