

the professional body for
through-life management of physical assets



Asset Management Canada vs Globe

Richard Edwards, President IAM

AMONTario
ASSET MANAGEMENT ONTARIO

Contents



- Asset Management
- Key drivers
- Where is leading practice in 2017?
- Challenges
- What it is the IAM doing?
- Benefits

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*Coordinated activities of an organization
to realise value from assets*

ISO 55000

What does *value* mean to your organisation?

Scope of Asset Management



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Drivers – Regulators



**GOVERNMENT OF
WESTERN AUSTRALIA**

Drivers – Government



1ST SESSION, 41ST LEGISLATURE, ONTARIO
64 ELIZABETH II, 2015

Bill 6

*(Chapter 15
Statutes of Ontario, 2015)*

**An Act to enact
the Infrastructure for Jobs
and Prosperity Act, 2015**

The Hon. B. Duguid
Minister of Economic Development,
Employment and Infrastructure

1^{re} SESSION, 41^e LÉGISLATURE, ONTARIO
64 ELIZABETH II, 2015

Projet de loi 6

*(Chapitre 15
Lois de l'Ontario de 2015)*

**Loi édictant la Loi de 2015
sur l'infrastructure au service
de l'emploi et de la prospérité**

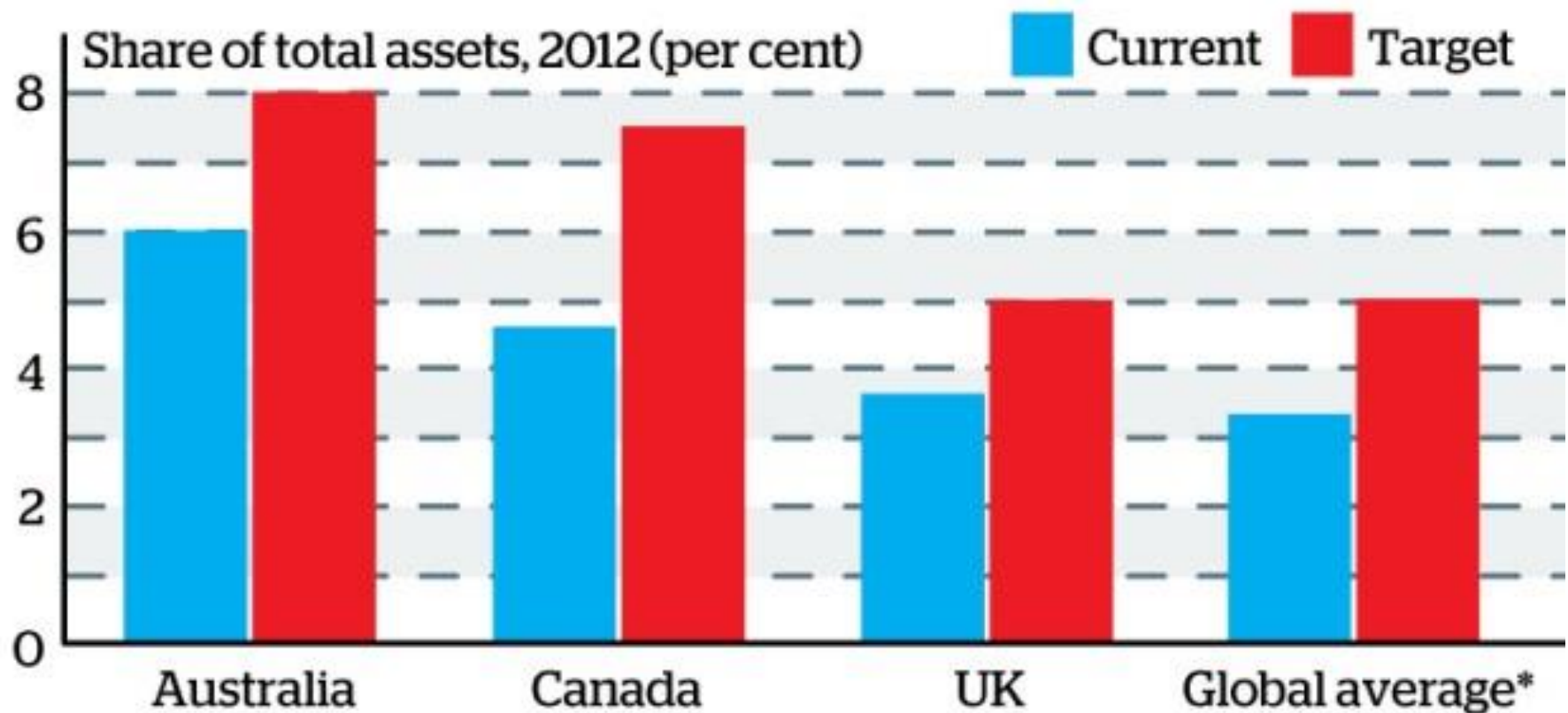
L'honorable B. Duguid
Ministre du Développement économique,
de l'Emploi et de l'Infrastructure

Drivers - Accidents



Drivers - Investors

Pension funds' current and target allocations to infrastructure assets



* Sample of 619 pension funds. Source: RBA, PREQIN

Drivers – Failed IT Solutions



*UK government scraps the £12 billion national program for IT in the NHS
The UK's Major Projects Authority concluded the project was 'not fit to
provide the modern IT services that the NHS needs'*

*New York's CityTime originally had a \$63 million budget, but costs
since skyrocketed astonishingly, with total estimates reportedly
reaching \$760 million*

*In February 2011, the government of Marin County, California, sued Deloitte
Consulting and SAP in federal court, claiming they had 'engaged in a
pattern of racketeering activity' aiming at bilking the county out of more
than \$20 million in connection with a failed ERP project*

*Large projects not only fail more often - they deliver less. According to
the McKinsey / Oxford report half of IT projects with budgets of over \$15
million dollars run 45% over budget, are 7% behind schedule and deliver
56% less functionality than predicted*

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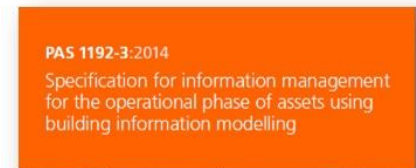
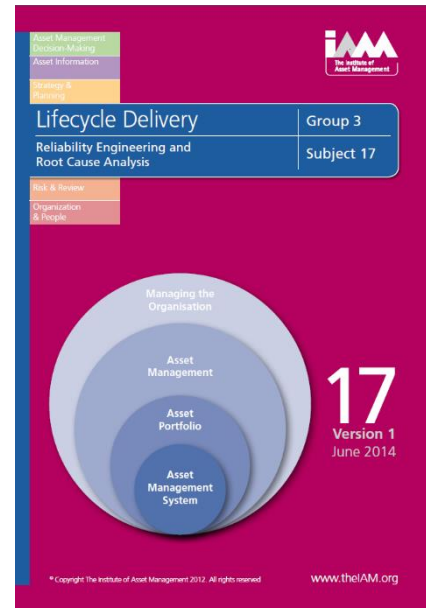
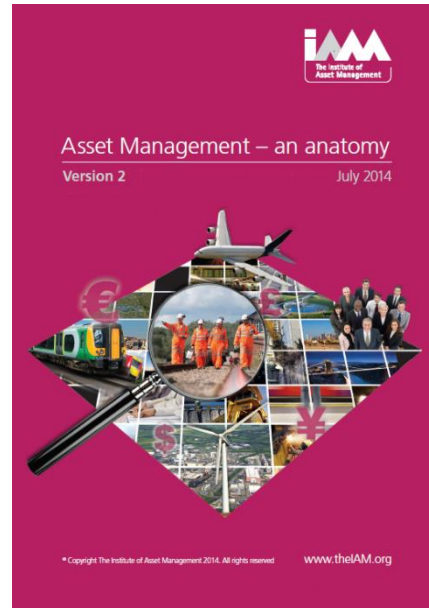
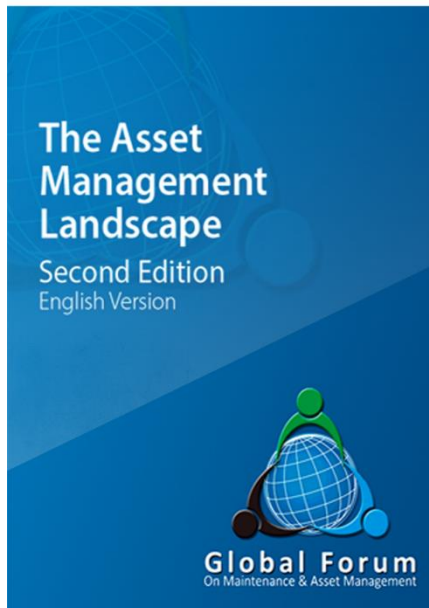
ISO 55001 – Friend or Foe?



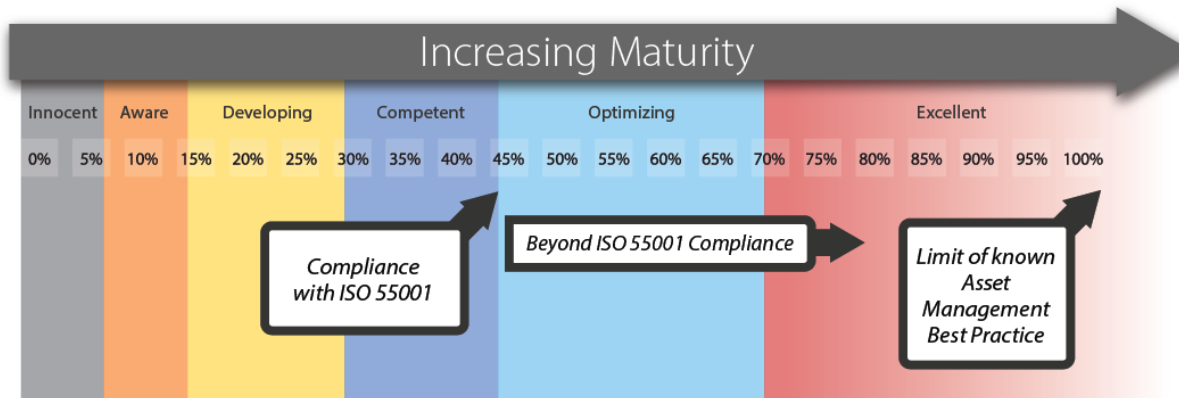
Limitations of ISO 55001

- Can encourage a ‘compliance culture’ where certification becomes the goal – not actual business results
- Provides the benchmark for competent Asset Management, but no more
- Does not help organisations determine ‘best appropriate practice’ for their business – what it really needs to do in order to deliver stakeholders’ objectives
- It deliberately says nothing on ‘how to’

'How To' and 'How Much To'



Asset Management Maturity Scale



The maturity scale has six maturity states as follows:

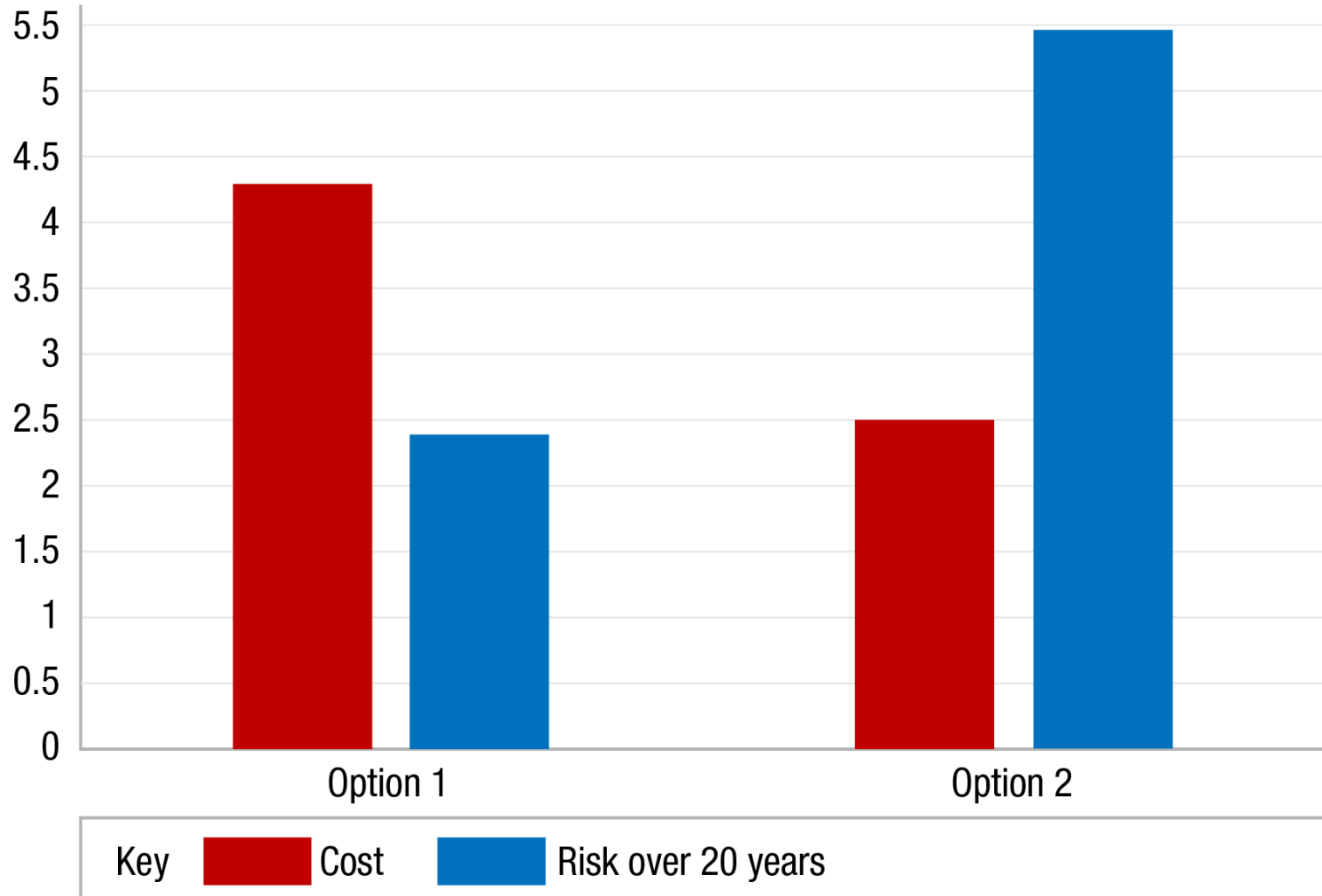
- | | | |
|---|-------------------|--|
| 1 | <i>Innocent</i> | The organization has not recognised the need for this requirement and/or there is no evidence of commitment to put it in place |
| 2 | <i>Aware</i> | The organization has identified the need for this requirement, and there is evidence of intent to progress it. |
| 3 | <i>Developing</i> | The organization has identified the means of systematically and consistently achieving the requirements, and can demonstrate that these are being progressed with credible and resourced plans in place. |
| 4 | <i>Competent</i> | The organization can demonstrate that it systematically and consistently achieves relevant requirements set out in ISO 55001. |
| 5 | <i>Optimizing</i> | The organization can demonstrate that it is systematically and consistently optimizing its Asset Management practice, in line with the organization's objectives and operating context. |
| 6 | <i>Excellent</i> | The organization can demonstrate that it employs the leading practices, and achieves maximum value from the management of its assets, in line with the organization's objectives and operating context. |

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Stakeholder Engagement



Leadership & Culture



Communication



People

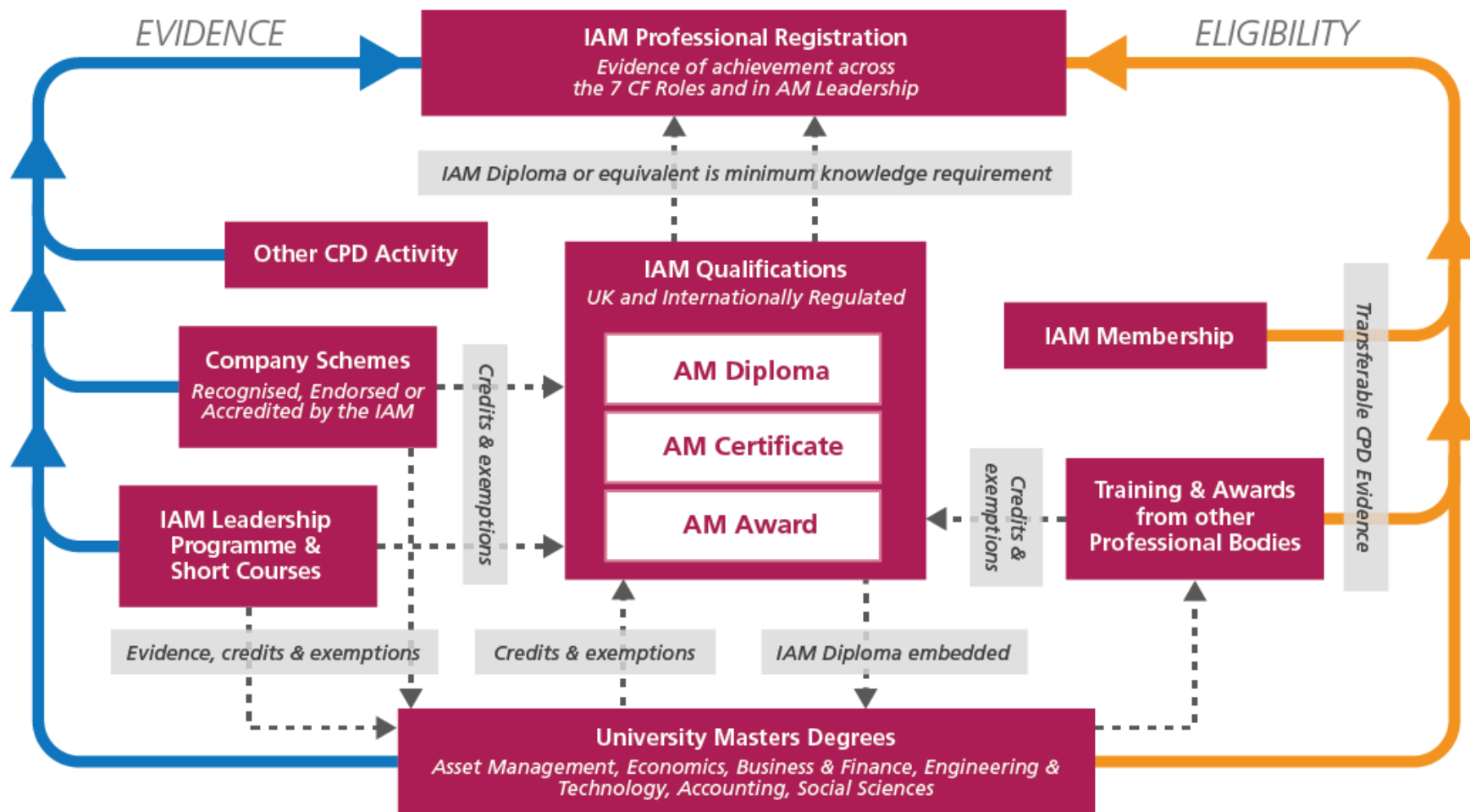


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Professional Development Pathways



Underpinned by the requirements of IAM Competence Framework (CF) & Leadership Frameworks (LF)

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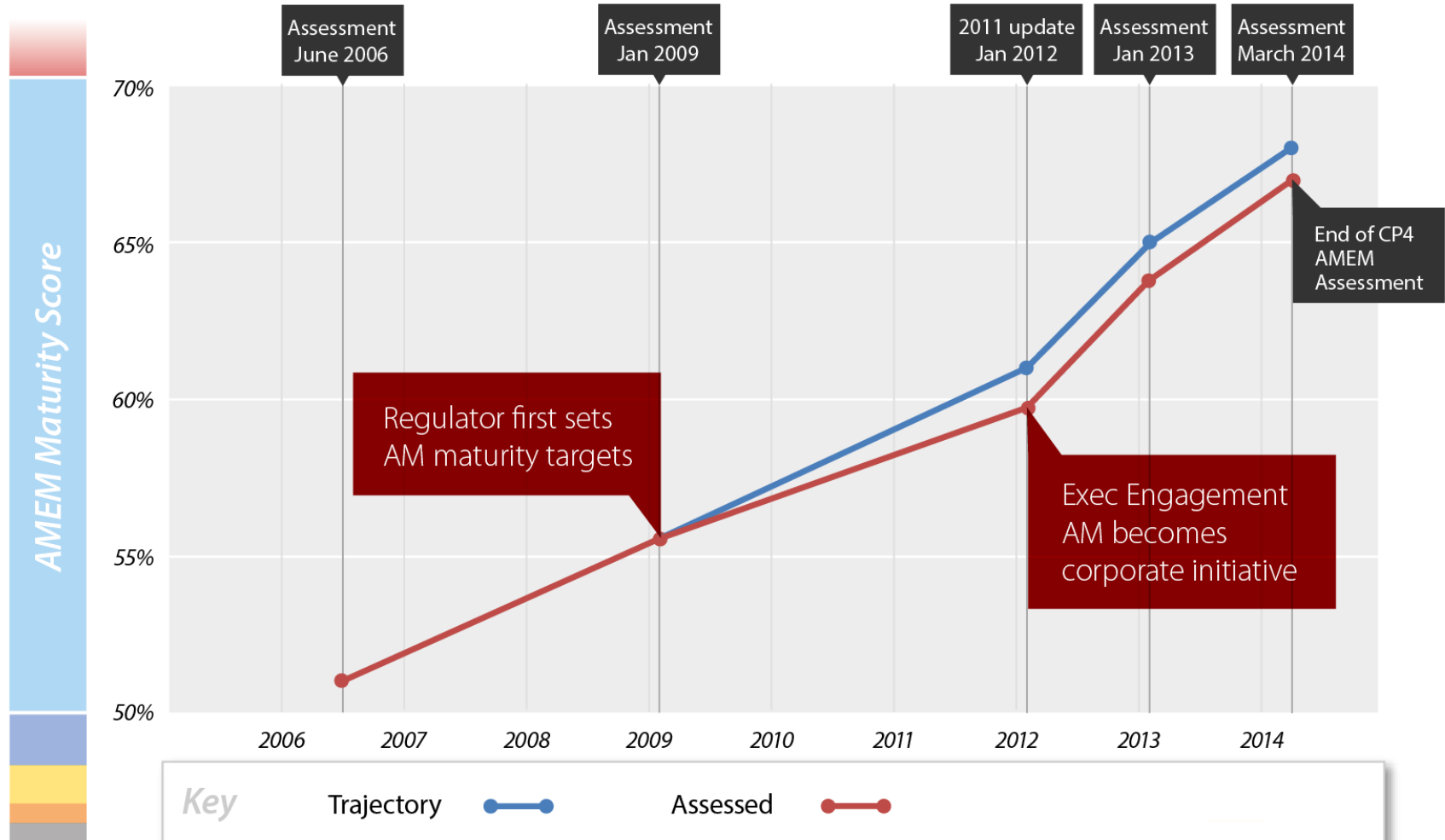
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Benefits



- **Reduce or defer Capex** - using criticality / risk-based approach
- **Optimise Opex** – RBM, less re-work & common systems
- **Improve Performance** - better asset information, RCM, Con Mon
- **Better Engagement** - develop scenarios for engaging with customers and other stakeholders by linking inputs with outputs
- **Justify Expenditure** - to regulators and funders including the consequences of not spending
- **Better Governance** - ability to demonstrate that risks are being managed in a consistent and integrated manner

Example - Network Rail



Source: AMCL

Benefits



- **Reduced Capex:** initial focus on highest spend asset group (Track) resulting in extended asset lives, reduction of capital spend by around **20%**
- **Reduced Opex and maintenance costs** per vehicle kilometre by **46%** between 2003/04 to 2011/12.
- **Improved asset performance** with greater reliability and sustainability, e.g. incidents of broken rails have reduced from **322** in 2004/05 to **125** in 2011/12.
- **Better regulatory outcomes:** ability to demonstrate evidence for decision-making to prove that approach is sustainable over the long term.
- **BSI PAS 55 accreditation:** achieved in April 2013.
- **Safest 'major' railway in Europe,** and significantly safer than road and comparable with air transport.
- **Carries more trains than ever before,** with **10%** more train kilometres and **3%** more freight moved than 2004/05.

Source: IAM Award submission by Network Rail

Summary



- Asset Management is an established discipline – still developing but the practice is now well defined
- Growing body of evidence that Asset Management delivers better governance, sustainable value & better risk management
- The challenges now are about leadership, culture & people – we need to make it happen!
- The IAM is increasingly focusing on leadership and professional development programs to make it happen

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Thank You