

**PROPERTY ASSET MANAGEMENT +
SUPPLY CHAIN PARTNERING**

COLLABORATING THROUGH STANDARDS

Asset Management

A cross-industry perspective

Court 38 - The Royal Courts of Justice
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Asset Management Background

- Manchester University – Visiting Postgraduate Teaching Fellow
- Shell/BP/Conoco/Kuwait Petroleum/Saudi Aramco
- Mining - Anglo American/ Rio Tinto/RBM/RBCT/BCL
- British Steel/Corus
- Alcan & Alcoa Aluminium
- Ford/General Motors/BMW
- Clariant Chemicals/J&J
- TI Group/GKN
- IMI Copper & Titanium
- Philip Morris
- Tubelines/EDF Powerlink
- United Glass
- SASOL South Africa
- World Bank – Philippines/Nigeria
- CEGB/Nat Power
- CEZ Czech Power Co
- CADAPE Power Co - Venezuela
- British Energy
- AEA/BNFL
- SSW/MK Water/Yorkshire/Thames
- Lafarge and BC Cement
- Light Bulb Manufacturing Cos – Egypt, Turkey, Slovakia, Roumania
- Alexandria Steel/Scaw Metals
- AON/Cigna Insurance/Risk Management/Asset Management Strategy

Agenda

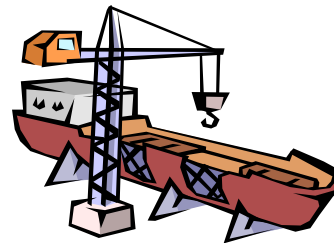
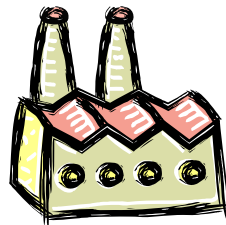
- Asset Management – What's it all about ?
- Issues and Trends driving interest in Asset Management philosophy, methods, tools and techniques
- Where has Asset Mgt been used and why ?
 - who can we learn from ?
- What did they do to get better ?
- How did they benefit – what was delivered ?
- Messages for Property Asset Management
 - The increasing impact of Asset Management on Property

Asset Management – What's it all about ?

- Responsible, Sustainable, Cost-Effective, Life Cycle Care for **Built Environment Physical Assets**



- Public and Private Buildings/Facilities
- Transportation networks – Road, Rail, Sea, Air
- Extraction, Process and Manufacturing Infrastructure
- Educational and Health Facilities
- Energy Supply and Distribution – Elec, Gas
- Parks, Public and Recreation Facilities
- Water Utilities – Supply, Waste, Storm
- Waterways, Drainage, Flood Protection
- Solid Waste Handling/Recycling Facilities
- Telecommunications Networks





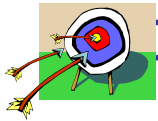
Microphone



Microphone

Asset Management – What does it achieve ?

Goal – Meeting the Assets' Service Delivery Requirements *with Sustainability and* in the most cost-effective way



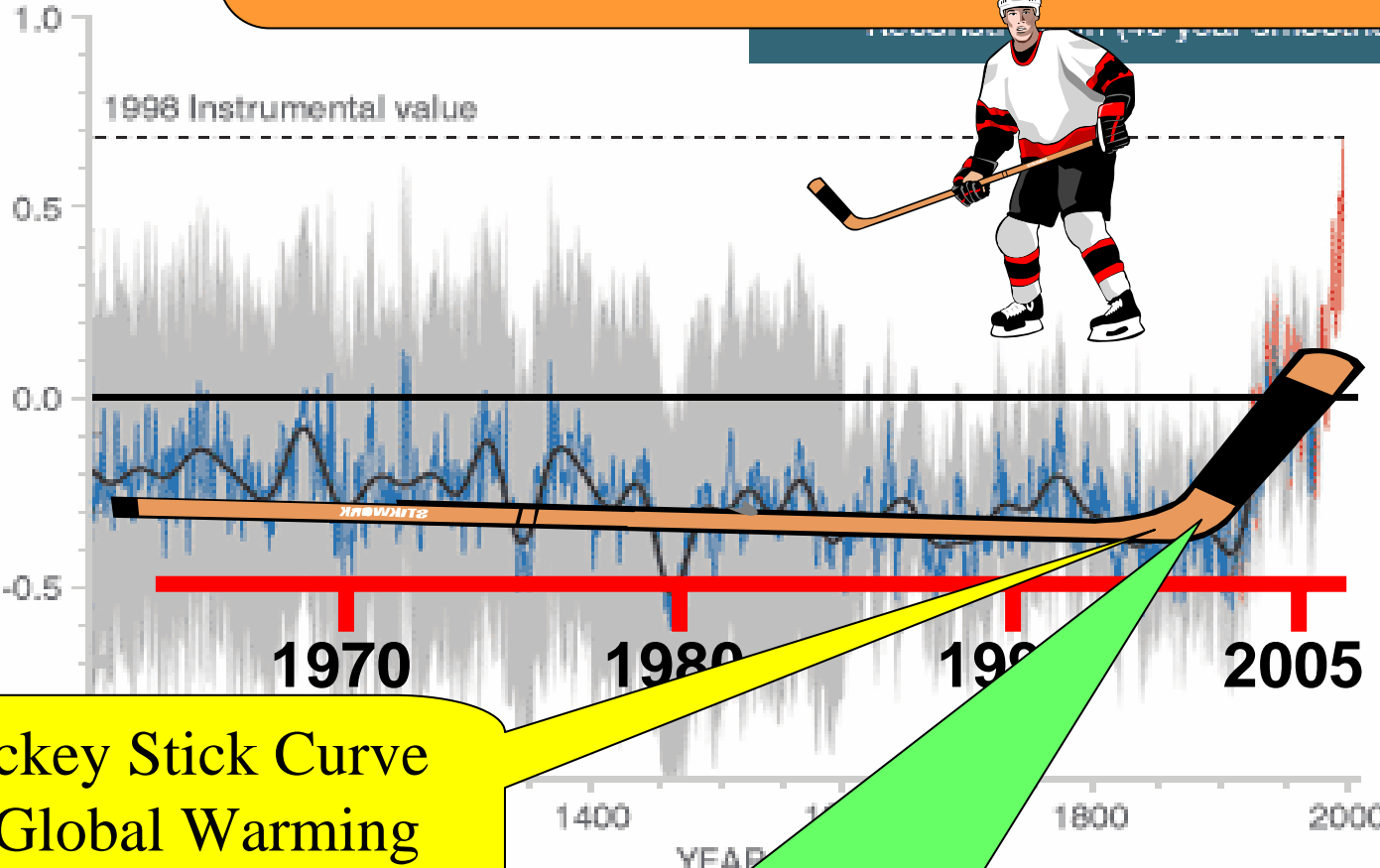
- Taking a Life Cycle Approach to Asset Selection and Care
- Developing cost-effective long-term management strategies
- Clearly defining Service Levels and monitoring Performance
- Understanding & Managing Risks and Costs Associated with Asset Failures and Underperformance



– Continuous Improvement in Asset Management Practices
Pressures are driving this approach forward

Impact of Legislation, Regulation, Compliance and Cost Pressures on Interest in Asset Management Introducing Hockey Stick Curves

Northern Hemisphere
relative to 1998



Hockey Stick Curve
of Global Warming

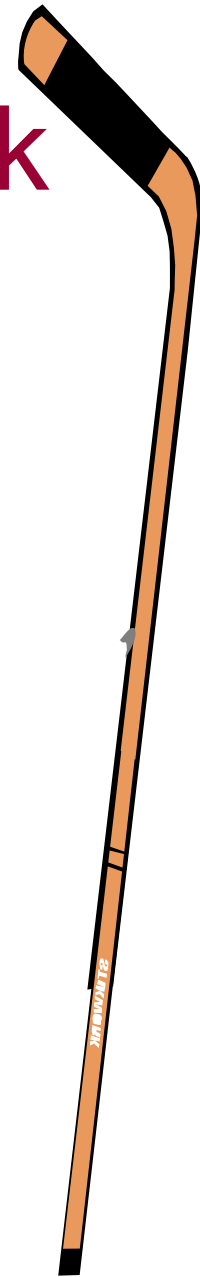
Hockey Stick Curve of
Asset Management Awareness

Millennial Northern Hemisphere
temperature reconstruction (blue - tree
rings, corals, ice cores) from
AD 1000 to 1850 (grey) are shown. source: IPCC Third Assessment Report

Instrumental data (red) from
1850 to 2000 (red) are shown. source: IPCC Third Assessment Report

What are the AM Hockey Stick Curve Drivers ?

- Regulation/Legislation/Compliance
- Cost, Price Compression, Value Discovery
- Customer expectations of Quality & Service
- Increasing value and complexity of Assets
- Commercial Realisation of the Value Locked up in Low Asset Performance



Who Has Already Been Hit by the Stick ?

Who can we learn from ?

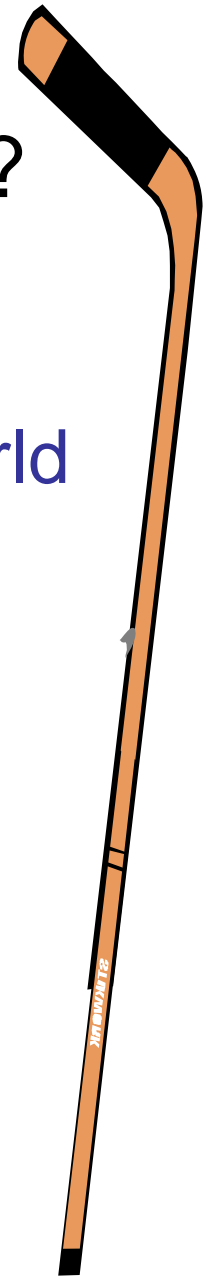
- UK utilities during the Pub-to-Pri Transition
- Oil & Gas Sector post Piper Alpha
- PFI/PPP's with Life Cycle Asset Care Duties
- Manufacturers responding to the China Effect
- Local Authority Initiatives in NZ & OZ
 - *Shared experiences & Lessons Learned are built into:*
- BSI PAS 55 Standard for Asset Management
 - Sector specific guidelines for implementation



Who Has Already Been Hit by the Stick ?

What did they do to get better ?

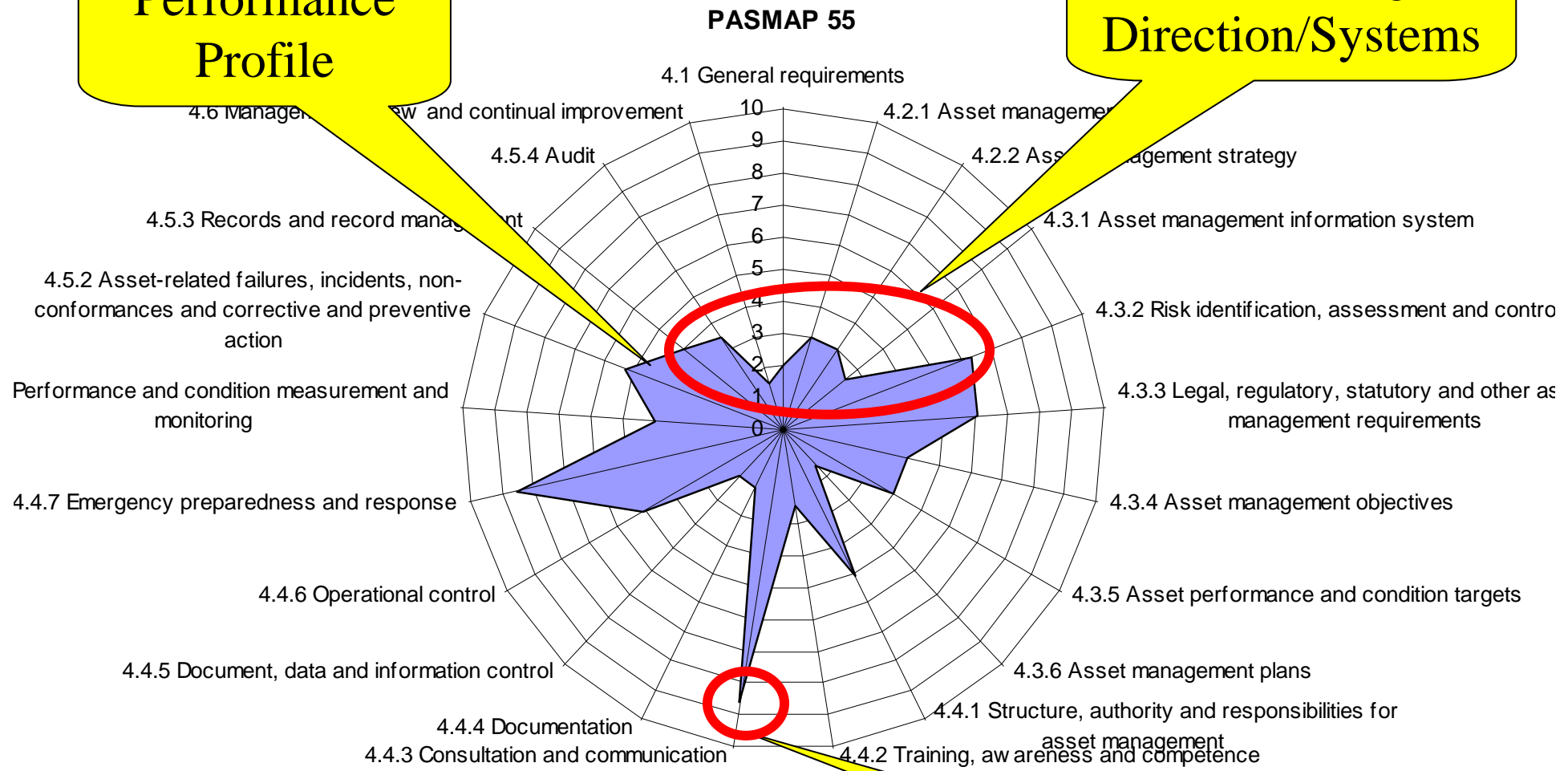
- Understand where they are now relative to World Class



Understand where you are now relative to World Class

Performance Profile

Weak Strategic Direction/Systems

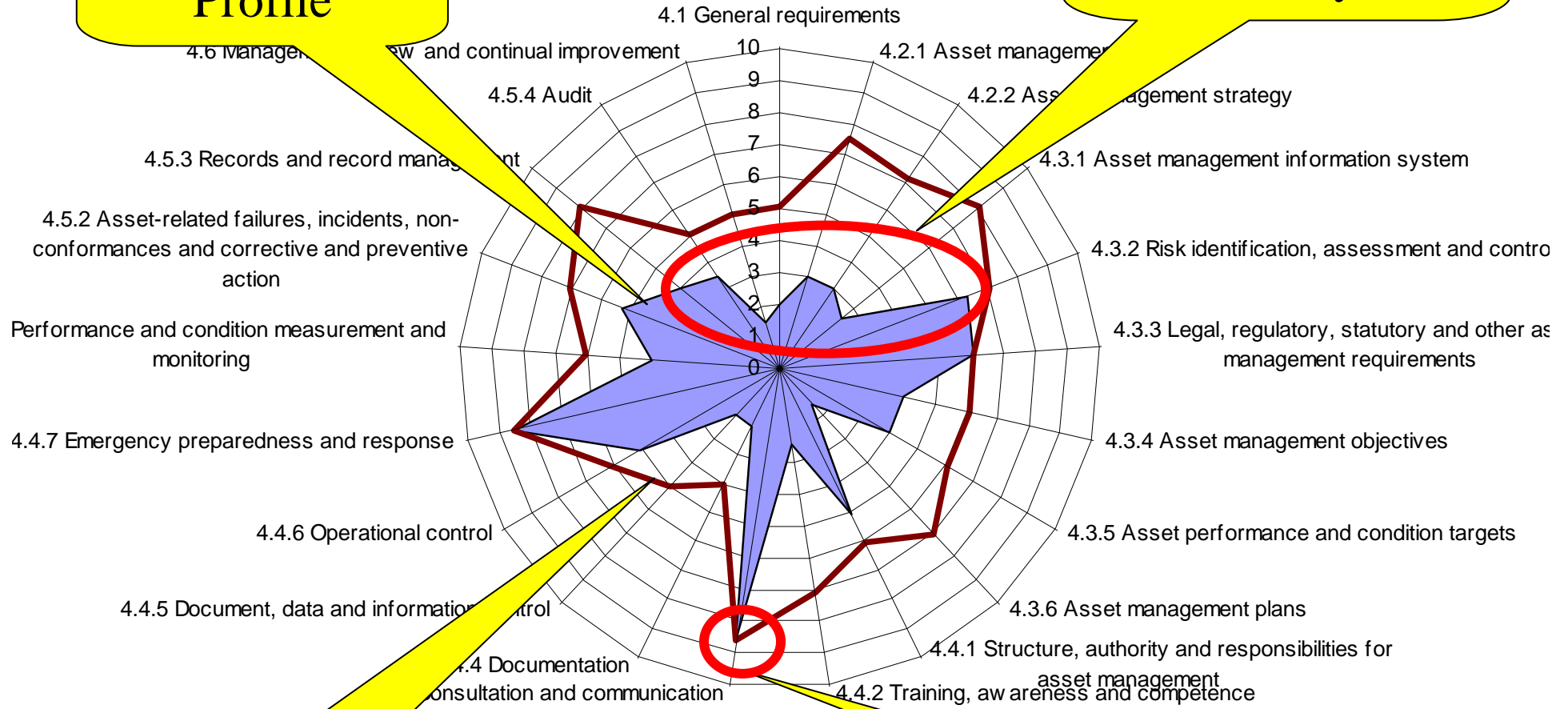


Good Teamworking

Performance Profile

Weak Strategic Direction/Systems

PASMAP 55

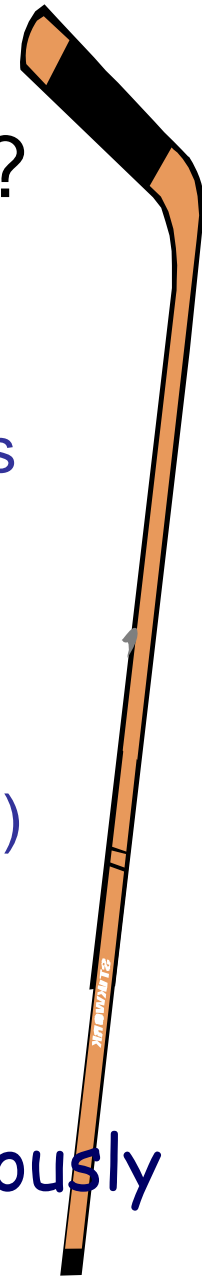


Goal Setting Profile

Good Teamworking

Who Has Already Been Hit by the Stick ?

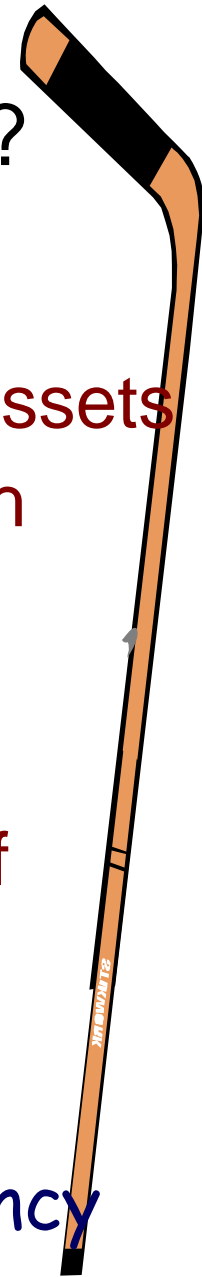
What did they do to get better ?



- Understand where they are now relative to World Class
- Map the Asset Base & Create the Information Strategy
- Develop the organisation around AM processes
- Place AM specific accountability shop floor to top floor
- Create Motivational Performance Management (KPM's)
- Build AM knowledge base and Engage the whole organisation
 - Recognise AM is a team game – It doesn't work in Silos
- Continuously challenge practices and continuously improve performance

Who Has Already Been Hit by the Stick ?

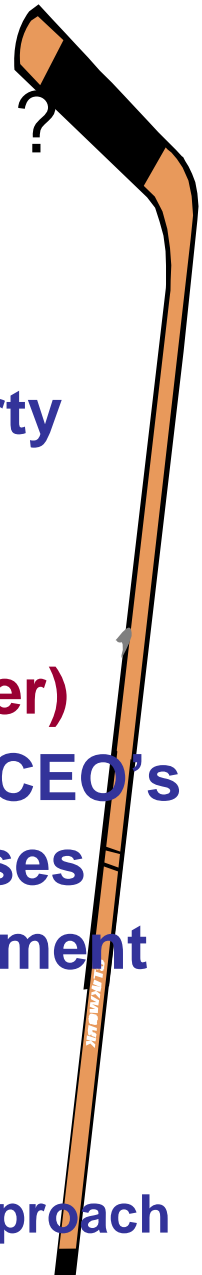
So What actually gets better with AM ?



- Improved Stewardship and Accountability for Assets
- Improved communication and relationships with users receiving a Service from the Assets
- Improved Risk Management, stability and sustainability
- Better decision-making, recognising all costs of owning and operating Assets throughout their Lifecycle
 - *resulting in:*
- Improved Financial Performance and Efficiency through releasing locked-in Asset Value

Why is Property being Hit by the Stick Now ?

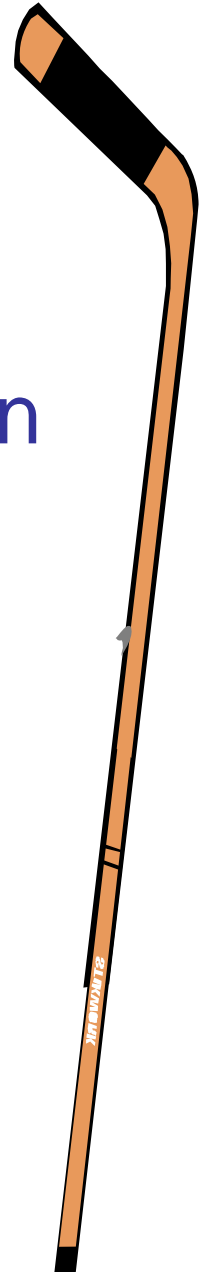
- **Bootle Report for Royal Inst Chartered Surveyors**
 - £18 billion/yr lost through inefficient use of property
- **Lyons Report for Chancellor of the Exchequer**
 - Raising profile of Asset Management for property
- **Moskowitz Report for Emcor (FM Service Provider)**
 - **Property** costs are the next big savings target for CEO's
 - Property is second largest cost for many businesses
 - IT is becoming a bigger issue in Facilities Management
- **Convergence of the FM and construction industries**
 - **Driven by** PFI, PPP, DBFO require Life Cycle Asset Mgt approach



Looking to the future

Hockey Stick Curve Drivers will Intensify

- Regulation/Legislation/Compliance
 - Cost, Competition & Price Compression
 - Customer expectations of Quality & Service
 - Increasing value and complexity of Assets
 - Commercial Realisation of the Value Locked up in Low Asset Performance
- To Survive the Stick build an Asset Management Strategy driving Best Practice and unlock the full Value of your Assets**



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A cross-industry
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Thank you

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