



TECH BULLETIN

Topic: Asset Operational Costs

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Why would we Construct Buildings We Don't Plan to Maintain?

A colleague once got in touch looking for advice with some benchmarks on likely operational cost for a new property. Initial reaction was:

- It was positive that someone was considering the potential ongoing operational costs in the context of whole of life benefits
- Benchmarking for life cycle costs should be heavily caveated because life cycle profiles vary from year to year and cannot be accurately by a single \$/m² value.

Apart from those topics for another day, benchmarks, based on life cycle models built from bottom up for a wide range of projects, were provided over a 25-year term in the form of a series. Typically for this (like most) type of property the building services elements (Electrical, mechanical, hydraulic, fire, transportation, security & comms) accounted for the largest portion of planned and statutory maintenance on a recurrent basis and capital replacements on a periodic basis.

After presenting the benchmark derived operational cost estimate, the client indicated that the estimate exceeded the projected budget...so where to from there?

A few options could have been considered

- a) Ignore advice, work with insufficient funds and deal with operational issues as they arise. This approach would be perfectly justified if the property function were not considered critical to its users and could be interrupted as necessary.
- b) Look at the priorities to primarily deal with funding and selectively maintain elements which are considered important, bearing in mind that statutory maintenance items must be funded to achieve regulatory compliance.

- c) Dig deeper – look at building a bottom-up life cycle cost as early as possible so that design impacts on operational costs can be monitored throughout the development phase and appropriate alternatives considered which are more reflective of the clients ongoing commitments.

So which option did this project take - probably the easiest option? This matter became the origin of the question: ***Why Construct Buildings We Don't Plan to Maintain?*** Or more specific alternative: ***Why install active building services which require ongoing maintenance support if we don't intend to provide that support?*** This example is a good demonstration of the physical asset management predicament.

Asset management is currently getting a lot of airtime at conferences and online. Greater awareness is a good thing as there are clear benefits to successfully implementing asset management, such as:

1. Performance

- Greater confidence in asset performance
- Minimised disruption and adverse publicity arising from asset failure
- Improved business process alignment and business performance
- Mechanisms to sustain improved performance levels

2. Efficiency

- Lower unnecessary asset-related costs
- Asset-related decision-making capability
- Improved plant efficiency and reliability through effective targeted maintenance



3. Obligations

- Compliance with legal requirements
- Availability of assets in relation to service delivery obligations
- Provision of safe and healthy workplace
- Sustainable development

4. Dealing with Change

- Identification of opportunities within asset base
- Process to actively consider non-asset alternatives
- Ensuring limited funds go further by prioritising investment and allowing better project selection

5. Financial

- Optimised procurement (capital and recurrent)
- Ensuring major assets retain their value
- Maximised ROI

Principal challenges to asset management are:

1. Timing of the benefits ie. they are in the future. Some might say the design & construction process tends to prefer immediate benefit as opposed to future benefit.
2. The “eating the elephant” analogy applies to gaining an understanding of properties in a way which provides transparency of cost over the long term. Information technology has made major impact on the implementation project as long as there is a clear focus on getting objective relevant information in an accessible format. Remember you can’t manage what you don’t know.

There are no simple formulas, benchmarks or international standards which will automatically provide the true details of what specific properties are or will cost to run into the future.

These can certainly help understanding however you still need 4 crucial components to any effectively / practical asset management structure to realise the benefits, namely:

- a. An agreed naming convention hierarchy etc.
- b. A real asset register which is operationally relevant, (ideally handed over in a manageable format from D&C)
- c. A life cycle model – critical to working out asset strategy from now and way into the future.
- d. Recording of asset related transactions as a feedback loop to show how things are working against you plans.

So, the answer to our original question has probably had more to do with industry understanding of whole of life concepts rather than an intention to burden / limit future users of the property.

Fortunately, now we do know a lot about whole of life concepts. Now more people are becoming aware of asset management tools, techniques and most importantly the reasons and benefits.



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