

The Critical Plant Manager

'We understand your need to effectively manage your assets'

JAHCon
Physical Asset Management Pty. Ltd.

Newsletter

June 2009

A newsletter from JAHCon Physical Asset Management Pty. Ltd. to keep our current and potential clients informed of our ongoing activities and to raise awareness of how JAHCon may be able to help your organisation meet its Asset Management needs.

This newsletter also provides a forum for sharing Asset Management ideas and experiences.

Projects

Life Extension (LE) is one area in which the capability of the AM profession is tested to its limits. By definition, whenever LE is contemplated, all initial assumptions of the project and design team are called into question and have to be re-evaluated. In many cases, LE is more problematic than constructing a new plant. New plant begins life with all assets in new condition while a LE plant has a mix of new and old assets.

Time or cycle based deterioration mechanisms will have progressed from new resulting in latent damage to the LE plant. In most cases it is very difficult to completely quantify the level of deterioration and hence the LE plant starts off in a different state to that of a new plant.

When the LE plant is first commissioned latent defects in reused assets can result in a higher plant failure rate than for a new plant.

Asset Management - Definitions

Definitions of Asset Management are as varied as the backgrounds of those expressing an opinion, however there are a number of credible examples available and some of these are shown here. Over time, these definitions can be expected to evolve and new ones appear. The need for agreeing on the definition of AM was raised by several participants at the recent ICOMS 2009 conference (*see back page*). In the meantime those shown here should provide a useful starting point.

"Systematic & Co-ordinated activities and practices through which an organisation optimally manages its physical assets and their associated performance, risks and expenditures over their life cycles for the purpose of achieving its organisational strategy plan." - **PAS 55-1**.

"The combination of management financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner." - **IIMM**.

"The set of disciplines and methods to optimise the Whole Life Business Impact of costs, performance and risk exposures of the company's (physical) assets." - **National Grid UK**.

"The process of organising, planning and controlling, the acquisition, use, care, refurbishment, and/or disposal of an organisation's physical assets to optimise their service delivery potential and to minimise the related risks and costs over their entire life." - **CIEAM**.

Training News

Training activity has been relatively quiet since the last newsletter, with a combination of work pressure and reduced demand causing potential courses to be delayed until later in the year. The training budget of an organisation is one of the first to be impacted when spending cuts are imposed. The immediate savings made on course fees, travel and accommodation costs take precedence over the longterm advantages of training. That is the world we live in and it is hard to argue with the logic when money is tight. Inevitably, there will be a rush to catch up when the economy cycles back to normal and then there will probably not be enough time to meet the demand backlog.

The next scheduled course is for early November when the Planning and Scheduling course is run again in Kuala Lumpur, Malaysia. As was the case previously this course is run through IQPC and you can contact them directly if you are interested in attending (www.iqpc.com) or contact JAHCon and we will put you in touch.

The Asset Management Council (www.amcouncil.com.au) gave a presentation at the recent ICOMS conference addressing the need for an 'Asset Management Certification Program'. The AM Council is currently developing a certification program which is likely to be released in the next few months and may be of interest to many of our readers. Please contact the AM Council for further details.

ICOMS AM Conference - 2009

The ICOMS conference has come and gone having been held from the 1st - 5th June at the Masonic Centre in Sydney. It was good to see so many familiar faces at the conference, which brought together regular attendee's and contributors to discuss current work and areas of interest. The international speakers were both interesting and entertaining and, the similarities between the work being done in Australia and overseas is striking.

As always, there were more interesting papers on offer than time to attend them all leaving attendee's with the dilemma of deciding which to attend and which to miss. Keynote speakers and regular presenters covered topics ranging from planning and scheduling, certification, to PAS55 and cultural alignment. The contribution of human error in maintenance and AM was identified in several papers. This is likely to be a fertile area for further development.

As in previous conferences, workshops were scheduled for the Friday and had a strong emphasis on cost reduction and or management - no surprise there given the current economic climate.

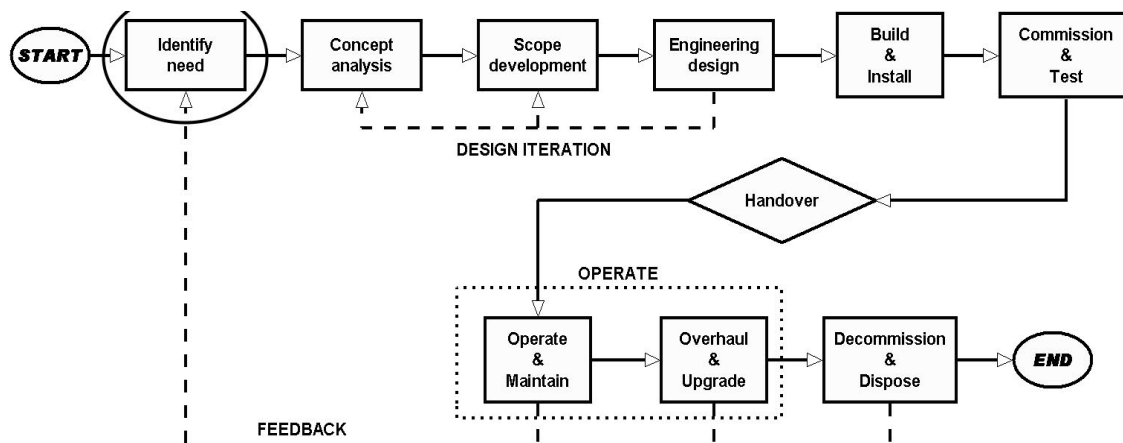
JAHCon presented a paper called 'Design Refinement through Knowledge Feedback' which was based on the concept of User Centred Design. An overview of this work and the underlying concept was presented in December 2008 edition of this newsletter.

The Asset Management Cycle - 'Identifying the need'

The ability to identify the need for new or additional assets over time is a basic requirement of most organisations, as they operate within normal business environments. Failure to recognise the need to upgrade or replace assets at the appropriate time, can place the organisation at a significant commercial disadvantage particularly when the 'lead time' to install and commission the asset is long. Reluctance to replace ageing assets at the right time (often for short term reasons) leads to the organisation continuing to operate obsolete assets that inflate operating costs, compromise product quality and restrict output.

Implicit in the identification of the need for a new or upgraded asset is the initiating mechanism used by the organisations to 'trigger' the assessment. In many organisation this 'trigger' results when problems with the existing asset become so severe that change is unavoidable. More advanced organisations continually look for opportunities and threats that then can trigger the assessment for change.

The most proactive organisations actively seek



opportunities and have processes that can identify opportunities and threats much earlier than their competitors and are able to analyse potential opportunities to identify any threats inherent in what might otherwise look like sound investments.

Control of the rebuild/renew decision process is crucial especially when the rebuild cost approaches the cost of a new replacement.

The need for a new or additional asset can arise from one or more of the following reasons.

- A new product needs appropriate production assets.
- Existing assets are at the end of their economic life.
- Existing assets are at the end of their 'technological life'.
- Existing assets have insufficient capacity to meet demand.
- Existing assets are unacceptable for safety/environmental reasons.

In the event that the design life of an existing plant is to be extended, the original and future business and design scope must be considered. Whether a refurbished existing plant, a new plant or some combination is the best way to meet the future

needs of the organisation it must be based on sound financial and engineering decisions. Failure to get this decision right will lead to sub-optimal plant performance, higher costs and lower reliability.

In future newsletters we will expand in these topics and explore some examples from common industry applications.

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