MANAGING AGEING ASSETS
AND OPTIMAL RENEWAL

IPWEA SA
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The essential requirement is?
Good Governance!

1. Clear strategic objectives
2. Manage risk
3. Show value for money

- Transparent
- Accountable
- Evidence Based
Optimised asset life and governance
Optimisation Inputs..

1. How long will the asset provide service?

Value

Market Value (Fair Value)

Time
2. How much does it cost to maintain and operate?
3. What are the risk management costs?
4. What remaining life gives the lowest life cycle cost?
4. What remaining life can governance afford

Actual renewal point is a governance tradeoff
5. Renewal Cost 
(where is a market)

Net cost for modern equivalent. = 
Purchase less sale of old asset
5. Renewal Cost (where is no market)

Net cost for modern equivalent. =
Actual evidence based renewal cost

Components must be appropriate

<table>
<thead>
<tr>
<th>Time Years</th>
<th>Value</th>
<th>Cost</th>
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Market Value (Fair Value)
So the 2 key variables for depreciation and renewal are governance decisions based on risk and service levels.

Net cost for modern equivalent. = Actual evidence based renewal cost

Useful life (depreciation rate)

Time Years

Value $

Cost $

Market Value (Fair Value)
Thank you