

Strategic Value of Enterprise Asset Management

Nicolas Fertin





Our assets

Assets funded by the community several decades ago...
sold to shareholders...
expected to be sustained....
profitably



PORTS



PROPERTY



RAILWAYS



Pacific National Rail

A division of Asciano

Asciano

Pacific National Coal
19BNTK

Pacific National Rail
26BNTK

Patrick
2.5MTEU

250 Inter-city services per week
550 Regional services per week
440 locomotives
6,500 wagons
50 properties



Pacific National Rail

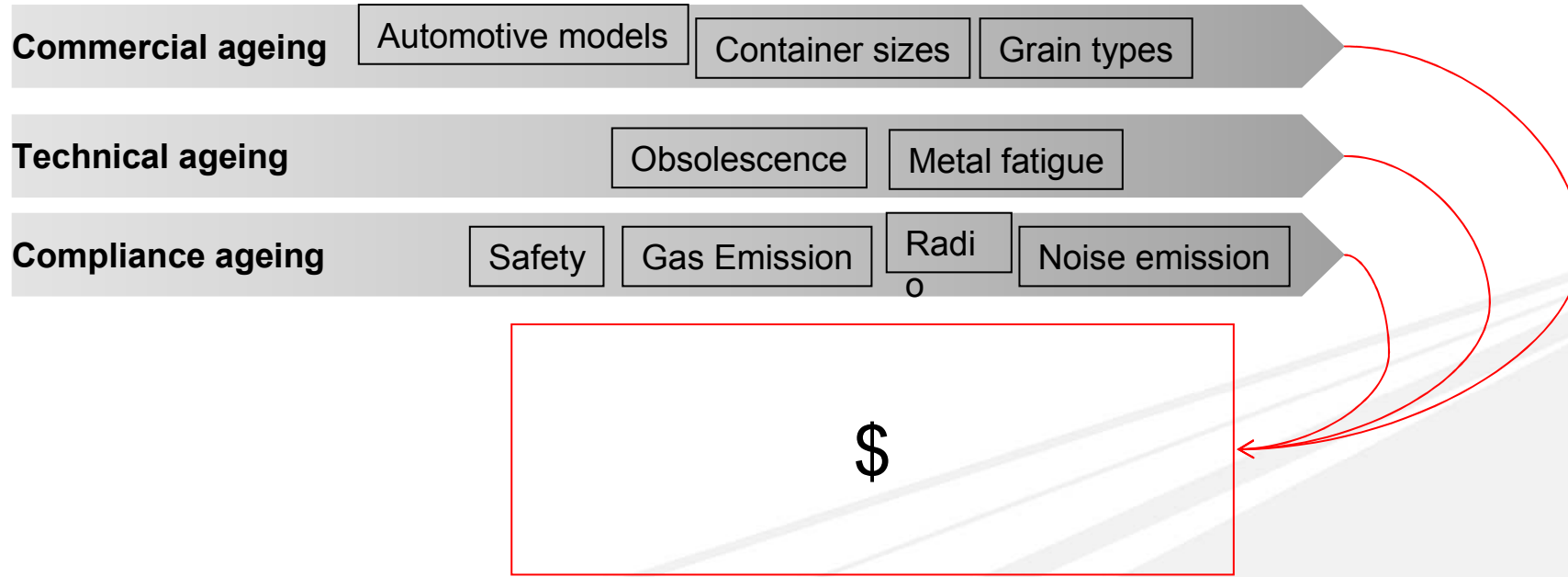
What's so special about Rail

- Special equipment
- Long life cycle
- Slow technology renewal
- Constantly moving assets
- Restricted supply market

- Pacific National Rail competes with trucks...

Pacific National Rail

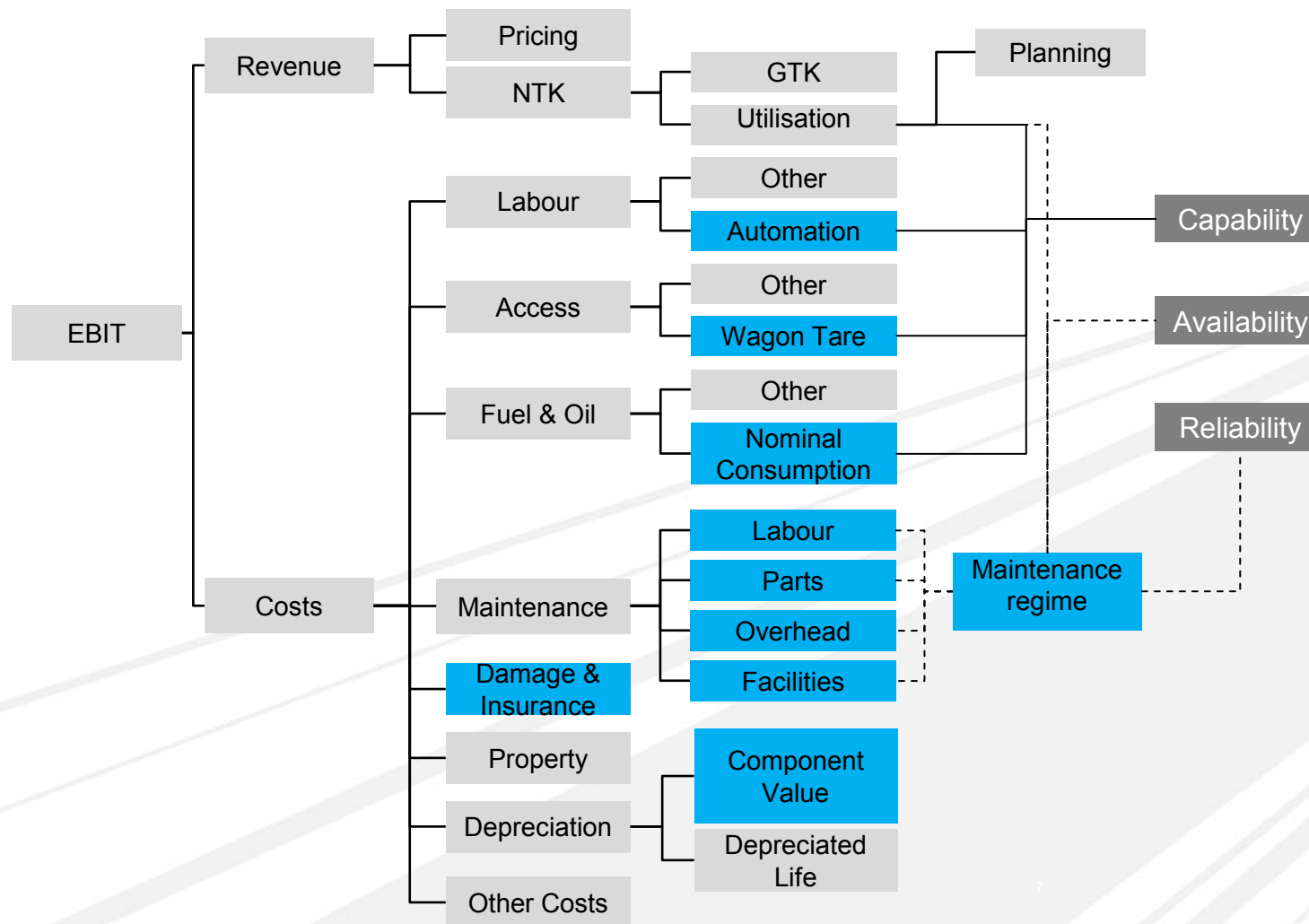
An ageing asset base



Pacific National Rail

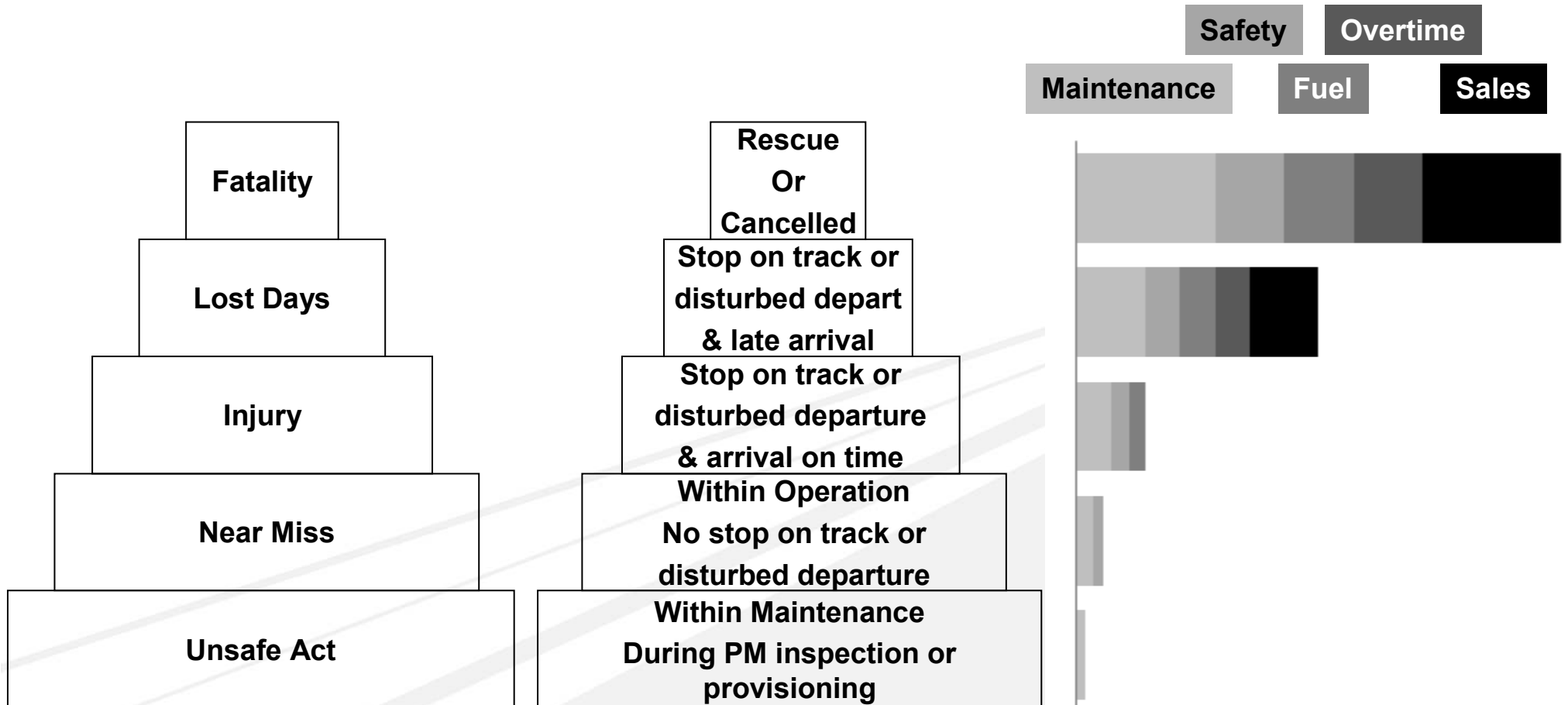
Linking Asset Management KPI to financial metrics

Identify the Total Cost of Ownership (TCO) components within the P&L.



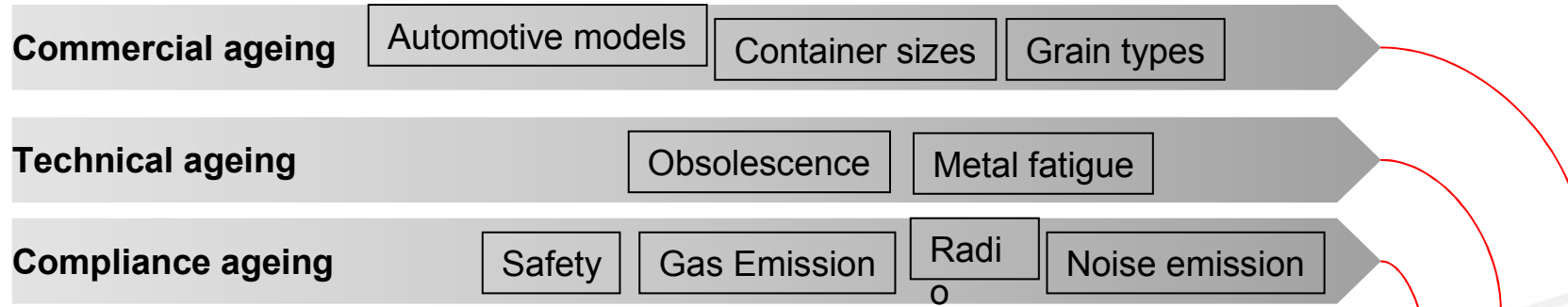
Pacific National Rail

Cost of defect



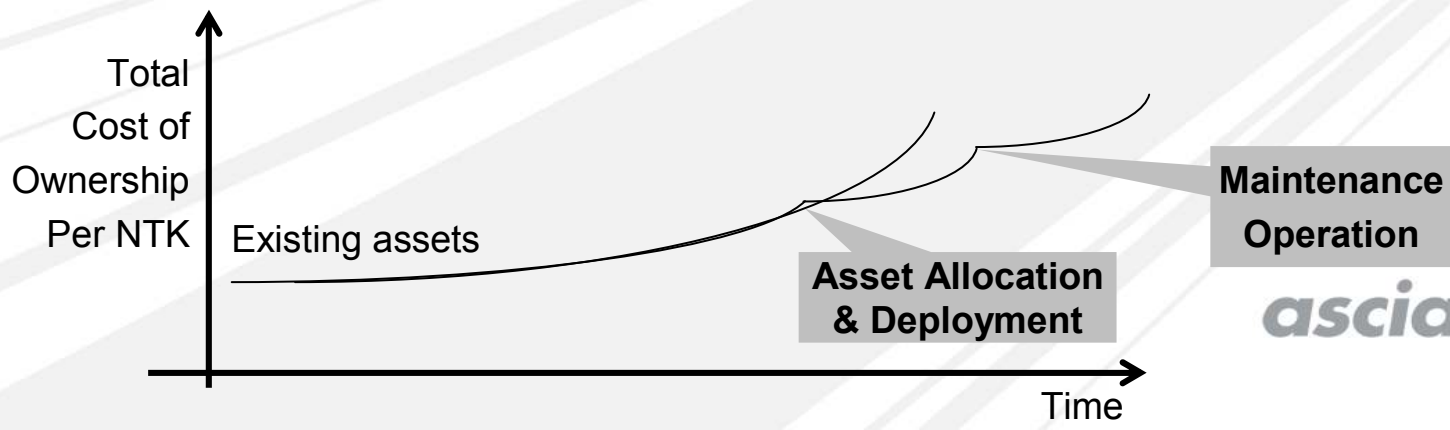
Pacific National Rail

An ageing asset base



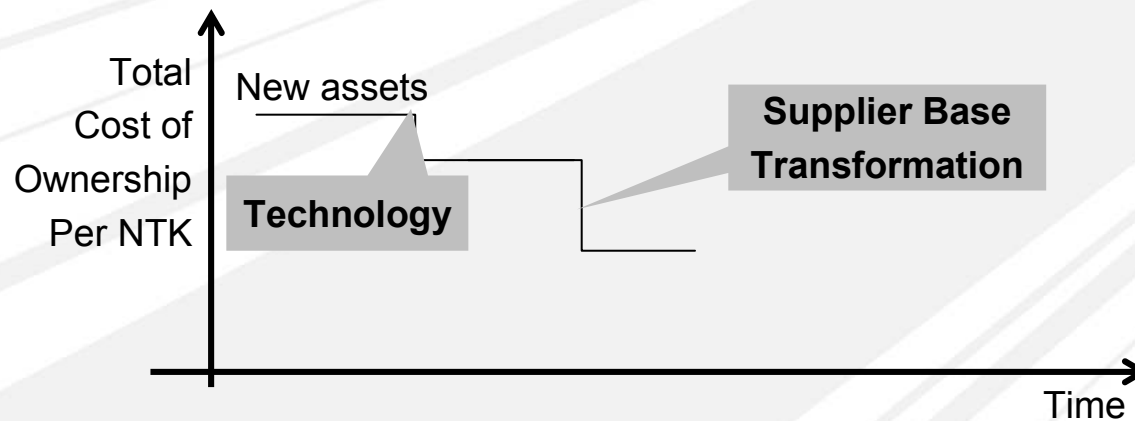
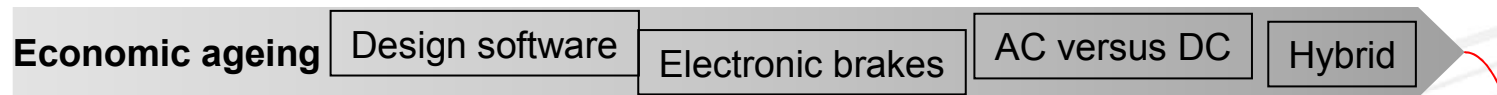
Converted into \$
For example for locomotives:

- Volume loss
- Maintenance cost (capital and expense)
- Reliability cost



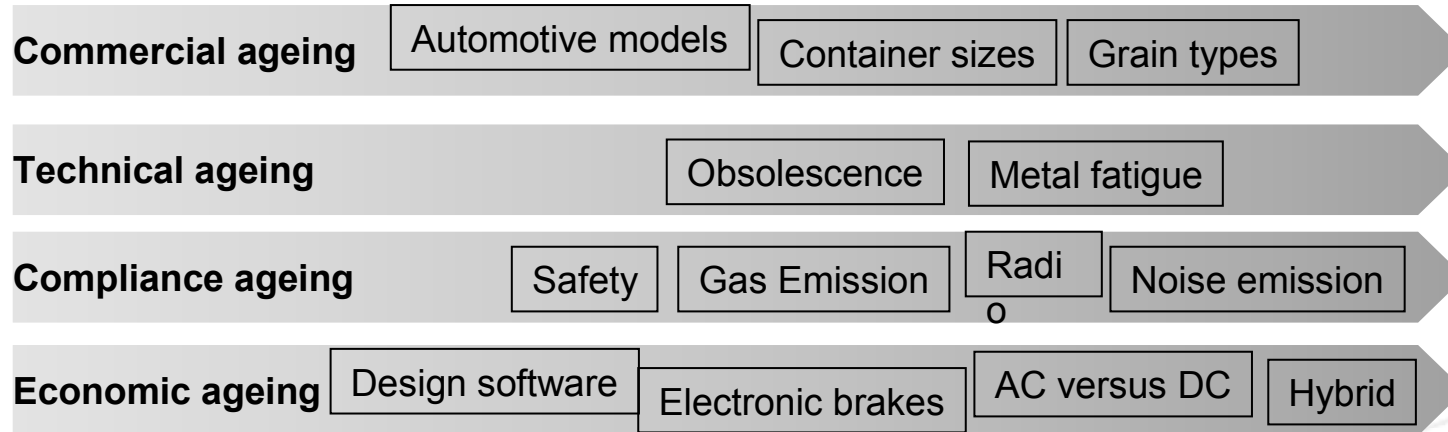
Pacific National Rail

Alternative new assets

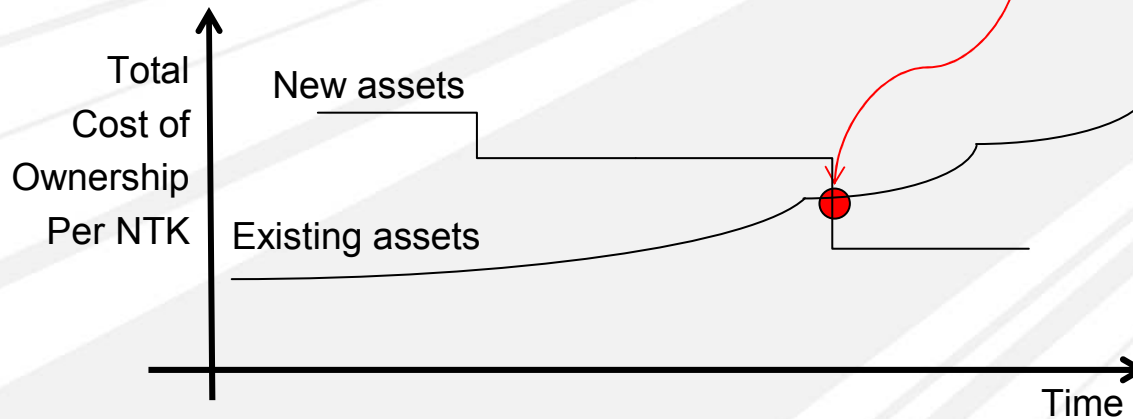


Pacific National Rail

The replacement decision



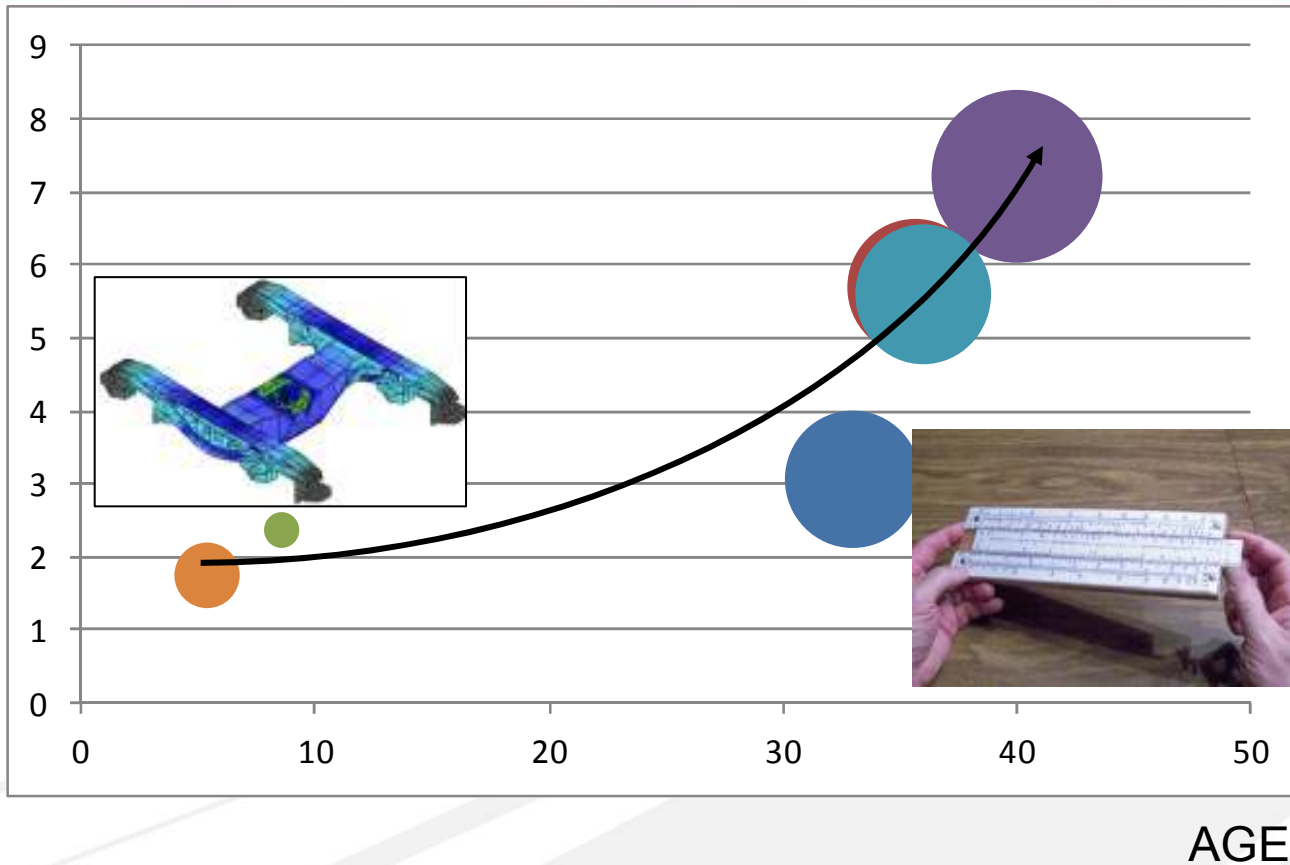
TCO existing assets > TCO new assets
 ROCE / Cash Flow / IRR
 Risks



Pacific National Rail

Applying Asset Management to the wagon fleet

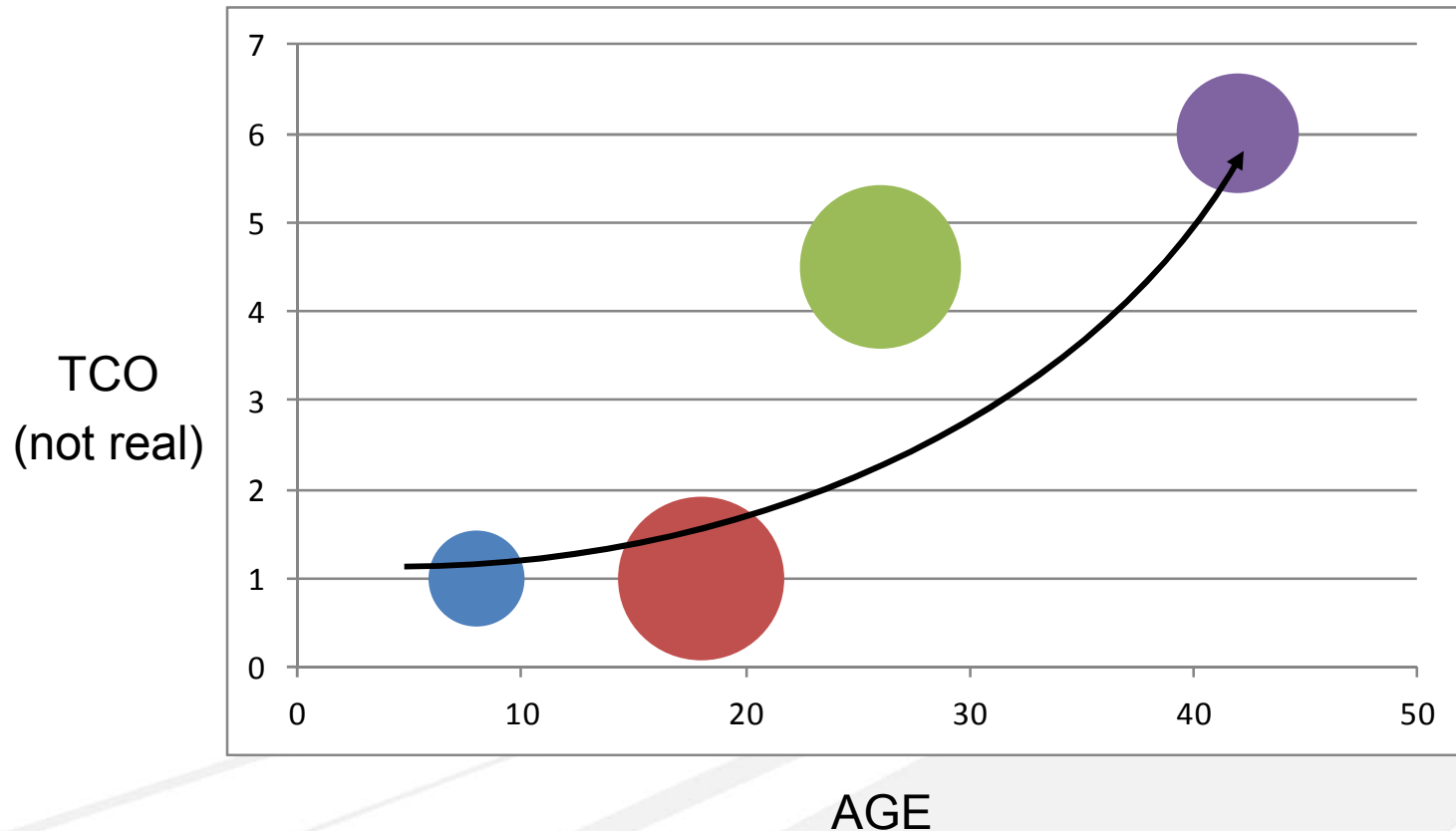
TCO
(not real)



- Would the old wagons design miss recent improvement in ride quality?
- Are wagons specific to freight?
- How long can wagons live?

Pacific National Rail

Applying Asset Management to the locomotives fleet



- What will trigger the next acquisition?
- Can we swap locomotives across corridors and duties?
- How will the supply market change alternative assets?

Pacific National Rail

Summary

- Educate stakeholders on asset ageing
- Look at all costs, especially beyond maintenance costs
- Explore all engineering, technology and commercial opportunities
- Do not under-estimate compliance ageing driven by communities
- If you have a fleet of assets, explore asset allocation and capabilities
- If you have young and old asset, correlate TCO to age
- Finance can help calculate TCO of existing and alternative assets