The Northern Midlands Council and the Northern Midlands Business Association are collaborating to undertake an economic development study for Longford, utilising the Business Expansion and Retention (B.E.A.R.) program format, developed by internationally renowned community revitalisation consultant, Peter Kenyon of the Bank of I.D.E.A.S.

The two driving forces for the study are:
• The need to capitalise on the World Heritage Listing achieved recently by Woolmers and Brickendon Estates; and
• The need to address the challenges and capitalise on the opportunities arising from the creation of two business areas in the town.

The B.E.A.R. program provides local businesses within Longford the opportunity to share their thoughts on what helps and hinders operating within the town, and share ideas for building a better local business environment. The rationale for this is that existing businesses account for up to 60 to 80% of all new jobs. Helping established businesses increase their competitiveness, helps ensure that those businesses will stay and expand in the community, thus providing more opportunities to Longford.

Jon Erwin, the area’s former Small Business Adviser, is surveying local businesses, using a comprehensive questionnaire to gather information from each business. Longford residents will also be surveyed to gain an understanding of their shopping behaviours and their perception of future business development in the town.

The results will be reviewed to find solutions to the issues raised and to develop new initiatives. “Ultimately the aim is to identify ways to improve the local economy and the business environment,” Jon stated.
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Successful Capital Investment Planning

ANDREW SNEESBY, PRINCIPAL ASSET MANAGEMENT CONSULTANT
GHD Tasmania

The capital investment planning (CIP) process is a vital part of a successful asset management strategy. Meaningful savings can be derived, and substantial mistakes in investment strategies can be avoided, if capital investment processes are in place and good data are generated in a timely manner to support the processes.

Everyone grapples with the question “of all the projects identified which one do I do first?” Is it the one that gives the best return on investment, the one that favours public response or the one that is buried and out of sight, out of mind? CIP validation is a strategic and systematic process that can give credence to the way projects are selected. The technique eliminates potential projects on the wish list that are the wrong solutions, or the solutions that are at the wrong point in the asset’s life cycle.

Three areas where the CIP validation process can lead to real savings relative to traditional processes include:
Cost reductions - where the ‘input per unit of output’ is reduced.

Cost avoidance - where unnecessary expenditures are eliminated, required investment is deferred until a more cost-effective point in time, or investments are reduced in magnitude from what would otherwise have been approved.

Cost redirection - where investment is redirected from one management approach to a more cost effective approach.

Existing Asset Lifespan Assessment
Firstly, take a top down approach to determine if the lives of existing assets can be extended by:

• Eliminating projects that are not required now;
• Deferring projects by changing the maintenance levels or operational efficiencies;
• Examining the possibility of repairing or refurbishing the project; or
• Examining the availability of a non asset solution, or if an existing asset can be utilised for a new purpose.

Items identified in this process can be crossed off the wish list.

Confidence Level Rating (CLR) Score
In order to assess how confident you are that you are recommending the right solution at the right time, at the right cost, perform a thorough analysis of the strengths and weaknesses of each project. This includes analysing the current and future demands on this asset, as well as understanding the current level of service provided and the level required in the future.

Business Risk Exposure (BRE) Score
This technique helps the organisation identify the assets that pose the greatest business risk to customers and stakeholders by examining the probability and consequence of asset failure. All assets have a probability of failure because, at some point, all assets will fail. The art is in managing two key questions regarding the failure probability: Is the failure reasonably predictable? Is it preventable in cost-effective terms?

The consequence of failure relates to the identification of the economic consequences for predicted failure modes and the BRE they represent. Potential consequences can include costs incurred through repairs, injury and death, environmental damage, impact on customers, third party damage, loss of product and loss of business image.

The CLR and BRE scores are mapped and used in conjunction with Life Cycle Cost measurements to determine which projects need further evaluation through the development of a business case.

Business Case Development
The Business Case makes a recommendation on how a CIP project should proceed and presents a concrete case for the project justification. It discusses and documents the supply and demand issues for the project, the confidence level in the analysis completed for the project, the business risk exposure reduction that the project represents to the business, the range of options analysed, the reasons for accepting or rejecting each option, and the metrics justifying project approval.

The Business Case for a given project represents the ‘best’ solution among the analysed alternatives as determined by ratios, such as return on investment, cost/benefit and payback period.

Prioritisation
The final phase of the CIP justification process is to prioritise the validated projects. There are numerous ways to undertake this step and each organisation will have its own unique criteria, but the process should be made simpler through the correct application of the aforementioned techniques.

Implementation
Implementation of the CIP process provides a robust, transparent and defensible framework for the prioritisation of projects in an effort to deliver ‘the right solution, at the right time, at the right cost, for the right reasons’.

For more information regarding GHD’s services and solutions, visit www.ghd.com, or phone 6332 5537.