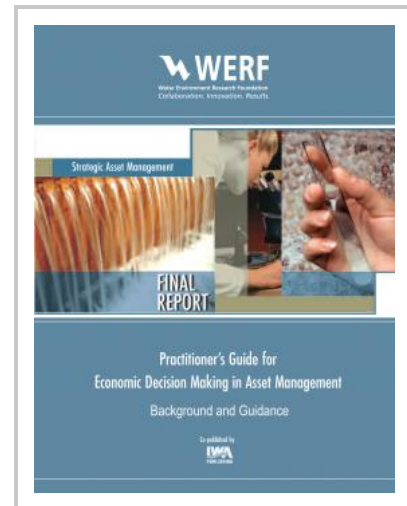


# A Practitioner's Guide to Economic Decision Making in Asset Management: Background and Guidance

For many water service providers (WSPs), meeting the financial demands of maintaining, extending and upgrading infrastructure systems is increasingly challenging. Furthermore, the remit of WSPs is broader than just financial considerations, so there is also a need to take societal impacts and values into account in the way investments are justified.

These challenges mean that there is an increasing need for asset managers to embrace new approaches to decision support. With this in mind, work has been undertaken to develop a 'Practitioner's Guidelines for Economic Decision Making'. The guidelines have been developed as an output of the fourth research track (Track 4) of WERF's strategic asset management research program 'Asset Management Communication and Implementation' (RFPP #06-SAM-1 CO). The guidelines are presented in two parts. Part I provides background discussions on concepts, frameworks and tools. The guidelines themselves are presented in Part II.



As discussed herein, economic decision making can only be achieved within a consistent policy framework that reflects stakeholder requirements and regulatory and other business constraints. Insights into how such a framework can be developed are therefore provided. The guidance also includes a logical way of classifying and structuring different types of asset management decisions. In all, six types of decision are identified and guidance provided on the development of methodologies for each.

The Guidelines also summarize a range of other tools and approaches that can be used in support of economic decision making, including a range of tools developed by the research team. Importantly, the guidelines differentiate between economic decision making and economic analysis. Economic decision making should underpin all decisions made by WSPs, while economic analysis will only be required for a subset of decisions. To provide a practical grounding, the guidelines include case studies developed with industry partners in Australia, the UK and the USA.

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