

continuing acceptability in service shall be measured against its disposal and procurement of alternative assets to provide services. Surplus assets should be identified as to whether they still support the DMAT'S service objectives because of changes in the type of service or method of delivery.

#### **Stage 2: Benefits of Disposal vs. Retention**

Some assets identified as surplus will have a negative residual value once disposal costs are included. Advantages of disposing shall be weighed against the cost of continued ownership.

If the cost of removing redundant pipeline is greater than scrap value, and if there is no significant risk, or impact on re-use options, then leaving the asset in its present state may be a viable option.

Other costs that stem from ownership include the opportunity costs on the residual value of the asset and the cost of insurance. Therefore, retaining such assets in service when they no longer effectively support service delivery will expend resources that could otherwise be used elsewhere and could effectively block the acquisition of more suitable and economic assets.

#### **Stage 3: Value Maximization**

Asset disposal is its sales value plus savings achieved in the cost of service delivery or other benefits. Assets may have a range of values to potential buyers with each valuing different aspects of the asset.

#### **Stage 4: Disposal Mechanism**

Disposal methods shall be carefully chosen to ensure disposals are carried out to:

- Satisfy probity considerations
- Provide adequate and equal opportunity to purchase, including clear stipulation of the basis upon which decisions will be made
- Achieve the best return to the DMAT
- Avoid any adverse environmental impacts
- An asset disposal form shall be completed to obtain the DMAT'S approval and authorize the removal from the asset register.

Asset plans should specify the nature of disposals and confirm this satisfies all regulations.

#### **Stage 5: Disposal Plan and Implementation**

There should be a culture to regularly analyze all asset holdings to identify any no longer supporting the delivery of services, to ensure focus on service delivery rather than assets.

There shall be a link between capital investment and disposal, particularly important if disposals help to fund capital works. Pre-disposal approval should be obtained in time for disposal to be completed, bearing in mind a favorable state of the market to achieve a satisfactory outcome.