

Managing Risks

What are they?

Can they be managed?

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Risk Management

- **Financial Risk**
 - uncertainty of annual operational costs and exit costs have impact on P&L and Balance Sheet
- **Market Risk**
 - Exposure to the market (real estate, construction,....) – the need to invest or disinvest at the “wrong” points in the cycle
- **Operational/ Business Risk**
 - Risks associated with of infrastructure failure (***physical and service risk***) undermining core operational processes

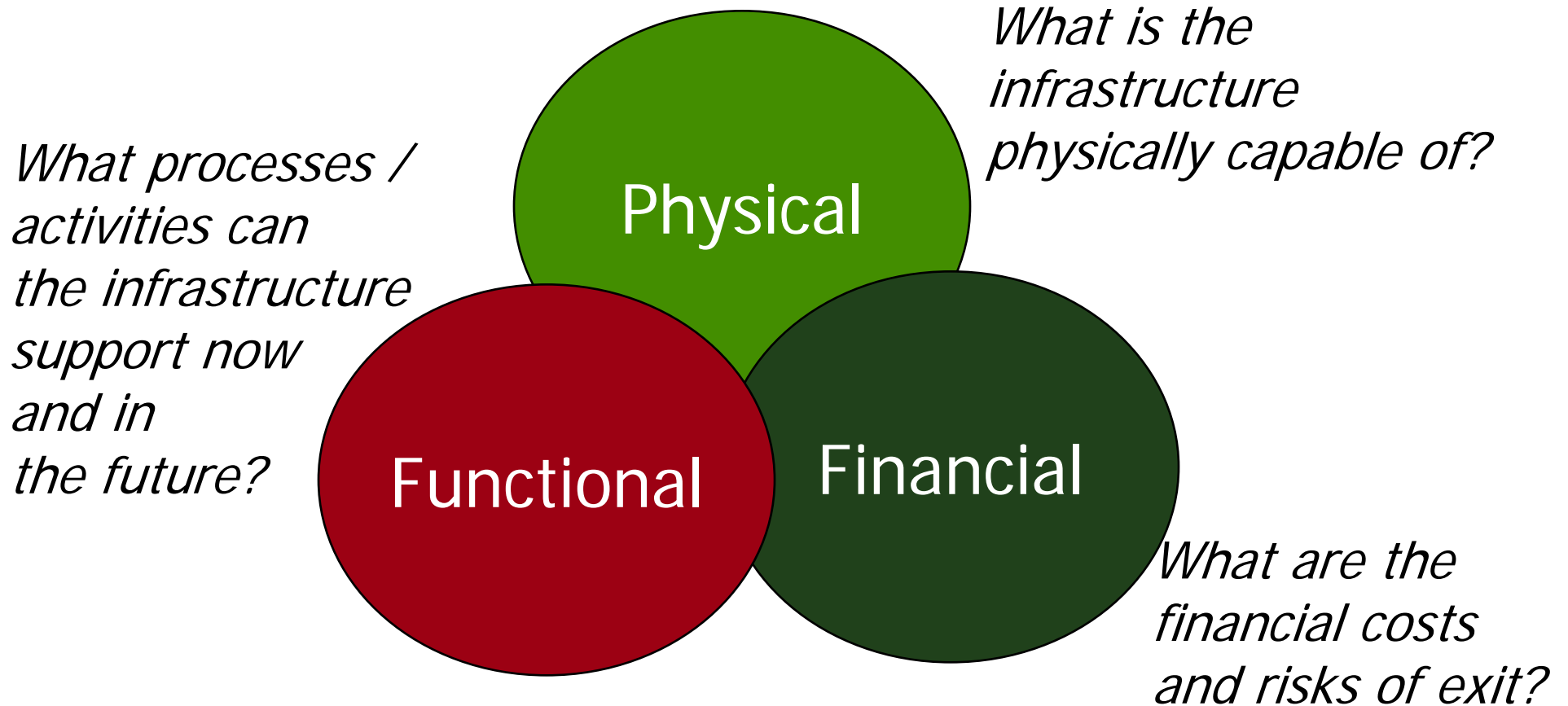
Avoidance

Reduction

Retention

Transfer

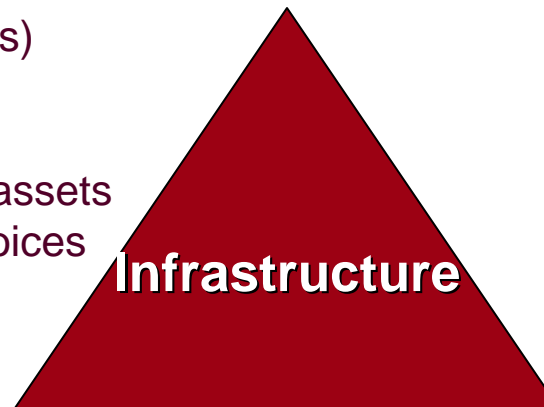
Creating Flexibility to Manage Risk



Infrastructure in 3 dimensions

Assets

- **Focus** on the infrastructure portfolio as a set of assets (land and buildings) and contracts
- **Interaction** with market – those that supply and own the assets
- **Decisions** related to making choices in the face of increasing diversity in forms of ownership and associated services



Contracts & Relationships

- **Focus** on the portfolio of contracts and individuals who manage and service the infrastructure
- **Interaction** with emerging service providers and people supplying those infrastructure plus service
- **Decisions** related to identifying outsourcing partners and specifying and managing contracts

Operational Platform

- **Focus** on the business processes
- **Interaction** with users, managers and other stakeholders who gain benefit from the use of the infrastructure
- **Decisions** related to understanding where value is created and how the infrastructure can support / facilitate value creation

Challenges

- **Identifying and quantifying the potential risks:**
 - What is the scope and scale?
 - What is the likelihood of these risks arising?
 - How much are you willing to pay to mitigate the risk?
- **Determining who is best placed to manage the risks:**
 - Should/could the risks be better managed by others?
 - What price to transfer the risk?
 - Is the risk ever really transferred?
- **Implications for the skill sets:**
 - What skills are required to manage the risks?
 - What skills are required to evaluate and price the risks?
 - Where should these skills reside?