



Changing times

Across the infrastructure sector, technological advances are changing the way managers approach their assets. **Duncan Symonds**, European director of asset management for IFM Investors, believes adjusting to this landscape is essential if you want to thrive and not only survive in the sector in the years to come

Q What are the major technological trends that will shape infrastructure investing in the coming years?

DS: There are three key areas where we see change. The first is digitalisation and the internet of things. For example, within our holding companies and portfolio companies, we have 16 airports. We have been looking at the opportunities associated with providing a more digital way for passengers to engage and travel through the airports in a language that is unique to them.

Another area is around automation and robotics, and how that crosses into other types of sectors. We see it in the work we have been doing with water utility companies, for example, here in the UK to tackle leakage and enhance customer engagement. You can also think about autonomous vehicles in terms of toll roads, of which we have many across our portfolio. Obviously, autonomous vehicles have advantages in terms of improving safety performance and potential improvement of traffic flow, but as the asset owner we're thinking about the investments we need to be making on a toll road in the medium to long term. If you can improve traffic density, then is that lane-widening scheme actually needed now?

The third example is around computation, and using the power of data and the propensity to use the cloud. While lowering the cost of undertaking the computing and processing and providing much greater access to data and information, you of course have the other side of the coin, which is the inherent cybersecurity threat. We have identified



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over the past couple of years that this is becoming an increasing risk that needs to be managed.

Q How has IFM Investors been adapting to some of these themes? What about the industry in general? And what more needs to be done?

DS: As an open-ended fund manager, it is common practice for us to be investing focus and effort today in things that may matter more as we progress into the future. There are two key elements to

adapting – one is awareness, while the other is the ability to execute.

We have a team of specialists and in-house industry experts, plus access to external resources. We are able to go in and have the right conversations with the right subject matter experts within the companies themselves.

We are different from many other investors. Because we are an open-ended fund, we tend to look much, much further forward and have this belief that, as managers, we need to have the capability to get our head around the evolving technology landscape. This ensures that we are able to engage meaningfully with the assets, and to stay abreast of the changing technology.

Q As you mentioned before, airports seem to be ripe for the incorporation of new digital technologies. How can the private sector lead and benefit from these advancements in airports?

DS: One area is the ability of your airport operator to collect and analyse the data to optimise your airport operations and those of your partners. The second area is around how you track passengers and luggage through the system using digital technology. It is your ability to therefore optimise the flow of passengers. How can you make that experience the most ideal experience for that passenger? A regular business traveller has very different demands from a family going on their once-a-year holiday, so the experience must be tailored. How do you communicate with your passengers, increasingly through digital channels? What products or services is that customer going to want



to experience, again through a digital medium?

The thing about infrastructure is that people who rely on it don't usually see or even care about everything that is happening behind the scenes, they just want the experience that works for them.

Q On the less positive side of the equation, hacking and data theft have become real issues, as discussed. Will firms have to change their approach to cybersecurity?

DS: In some sense, cyber-risk is not that much of a change to the world most infrastructure businesses are accustomed to operating in. For a long time, businesses have known that their information is confidential and often a valuable target for various parties. Equally, infrastructure assets have for a long time been accustomed to being prime targets for gaining attention and causing public disruption through physical harm to assets. The exponential growth in technology reliance by infrastructure businesses and the enabling technologies to effect harm – for that reason, this is a risk at the top of minds for many infrastructure operators. Executives and boards need to become skilled in this area to ensure effective oversight of business risks.

In infrastructure, there are two types of cyber-risks, broadly. One, that you are a deliberate target by a rogue individual or group. The other risk is that your infrastructure suffers a threat as a by-product of a cyber threat directed at other parties.

Cyber-risk is like any risk. What is the governance, the culture, testing and assessments that are undertaken within the business? What system redundancy do we have? Do we have the right incident response management? What is the business continuity approach? What sort of customer data do we potentially hold? Cybersecurity is now a core part of our

asset management approach in terms of things that we monitor, measure and report on.

There have been reports of instances of rogue nations acquiring businesses that are within the supply chain of some companies and are therefore finding a way into the network through what would appear to have been an approved, sanctioned and secure provider but is now potentially owned by a hostile actor. So the robustness of the checks around your supply chain is increasingly important.

Across our portfolio, we benchmark all our assets. We use external experts to keep benchmarks up to date. We have forums with IT directors and senior executives, and we conduct regular reviews. This is not a topic you review once a year, like an annual audit. It is a constant obligation and you can never be vigilant enough.

Q What are some of the challenges posed by technological disruption?

DS: If you have the right risk-management process in place, then I think you are as well placed as you possibly can be in terms of mitigating the challenges.

We must not forget the customer, and trying to standardise all this technology is becoming an increasingly important part of the industry. People expect that, irrespective of what technology platform they use, say smartphone, they want everything to work seamlessly with everything else, and so, as an infrastructure provider, the architecture you must have in place to enable that is incredibly complex.

The final piece is that most of the industries, sectors and assets that we are engaged with have high levels of regulation, and how the regulatory regime and environment reacts to this technological disruption will be crucial.

I do not think the technology is ultimately going to be the problem. It

is going to be how the regulatory environment is able to respond to all that, to enable it. That is what we must be mindful of.

Q In general, what have IFM Investors' experiences with these technologies taught you about the opportunities and challenges created?

DS: You've got to remain informed and think ahead. If you get on the front foot, almost every understood risk can be converted into an opportunity. For example, looking at our toll road interests, the future of toll collection technologies is changing significantly – being ahead of these trends sooner rather than later means we can avoid making unnecessary expenditures today. You've got to be up to date. You've got to have a good network of technology experts who don't think like most infrastructure people do, so the conversations we have are dynamic and challenging to conventional infrastructure thinking. You've got to put systems in place to ensure this kind of conversation and analysis happens and that it leads to planning and action.

Each piece of technology will have its own merits, but quite often the interplay of creating different pieces of technology with different systems applied in different areas, and bringing things together, is where the real merit is. Very, very rarely do you just buy brand new off-the-shelf technology, put it into the system and suddenly have this remarkable, miraculous transformation. Most of the time it is about capturing the incremental benefit you get by applying, adapting, adjusting and continuously improving as you go along. ■

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