

Risk Management in Transit

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Risk management is...*

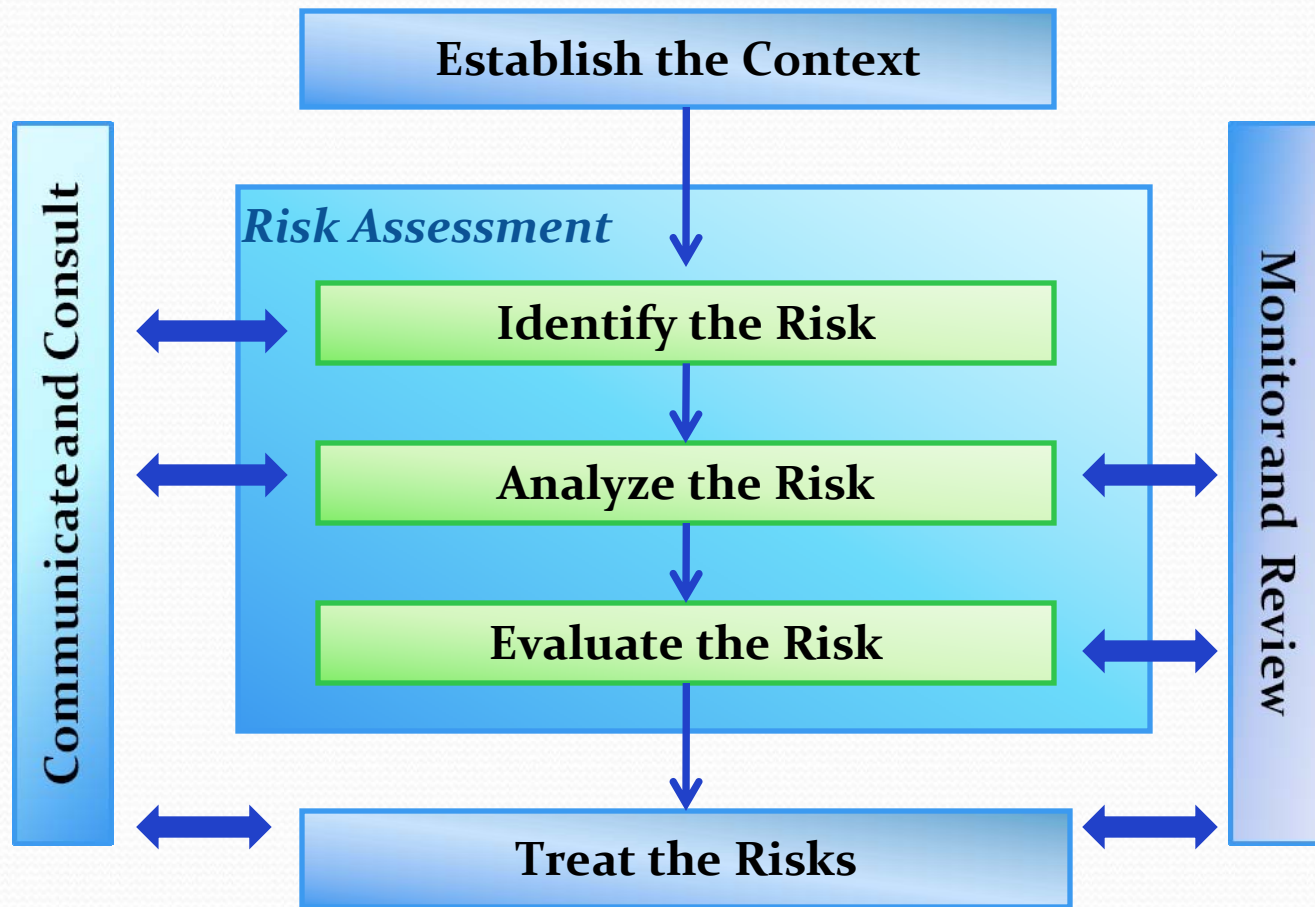
the process of dealing with the uncertainty of loss in all aspects of the organization. It is an integrated system involving analysis of activities and behaviors, establishment of safety and emergency procedures, and various financial, legal, and insurance issues.

Activities are evaluated based on their benefits to the organization relative to the opportunity for loss of human, financial, property, or reputation. The evaluation involves a great deal of interaction with the various programs, property, personnel and legal departments of the organization.

*Head, George L., Herman, Melanie L., Jackson, Peggy M., Toni E. Fogarty. (2004). *Managing Risk in Nonprofit Organizations: A Comprehensive Guide*. John Wiley & Sons, Inc., Hoboken, New Jersey.



The Risk Management Process: An Overview



Establish the Context

- Consider the issues that bode well
- Present the challenges
- Define the parameters
- Include the following considerations:
 - Objectives
 - Obligations
 - Stakeholder expectations
 - Risk tolerances



Identify the Risks

A transit system needs to ask two questions:

1. What risks do we face, or what could happen?
2. How might the risk materialize?



What are the Sources of Risk?

The transit system needs to consider:

- People
- Management risks
- Economic conditions
- Political change
- Technology
- Relationships
- Property exposures
- Inherent program issues



Analyze the Risks

- What is the probability the event will happen
- What could be the frequency of this event
- The possible magnitude
- Example: a sexual harassment act is committed by management. You might conclude:
 - Low probability of it happening
 - High financial and high reputation cost



Evaluate the Risks

The Risk	Frequency	Magnitude of \$'s or Reputation	Final Score*
Passenger slipping on ice	Moderate	Low	4
Bus driver stealing money	Moderate to high	Low	2
Senior citizen abused	Moderate	Moderate to high	5
Death in bus accident	Low	High	8
Loss of 5311 funding	Very low	High	7

* Aggregate impact on organization (Range 1 to 10)



Treat the Risks

There are four phases to this process:

- Identify the options
- Evaluate the options
- Design risk management strategies
- Communicate coping strategies



Bus Accident—Treatment

Identify the options:

- Not provide transit services (Avoidance)
- Conduct driver training (Modification)
- Purchase insurance (Sharing)
- Using only the safest design buses (Retention)

Evaluate the options:

- This is our business; scrape the first option
- Offer driver training program
- Purchase insurance from a pool insurance company
- No changing of design after purchasing



Bus Accident

Design Risk Management Strategies

- Mandatory defensive driver training
- Develop policy for weather services
- Monthly safety meetings
- Purchase auto insurance

Communicate Coping Strategies

- Enforce mandatory training
- Establish consequences for not following policy
- Ensure employees and customers have the information



Organizing the Program

There are four general areas of exposure:

- People
- Reputation
- Income
- Property



Who's in Charge?

What choices does transit system have?

- Hire a risk manager
- Give the duties to the general manager
- Create a risk management committee
(Composed of community friends of transit)
 - ✓ A lawyer
 - ✓ Fireman
 - ✓ Insurance agent
 - ✓ Customer



A Manager's Duties

Management—Plans, organizes, leads, and controls the activities of the risk management department.

Program Development—Coordinates the development, implementation, and maintenance of a risk management program.

- ❑ Sets goals and objectives for the risk management program
- ❑ Identifies and analyzes perils, risks, and hazards to which the organization, its employees, clients, volunteers, families, property and/or general public may be exposed
- ❑ Determines the most effective methods of handling each risk exposure
- ❑ Conducts an annual review (procedures to measure the effectiveness and performance) of the organization's risk management program



A Manager's Duties

Analysis—Evaluates major loss exposures and potential frequency, and severity to establish priorities and treatments.

Consultation—Advises the chief financial officer on methods for avoiding and controlling risks.

Delegation—Recommends an appropriate delegation of responsibilities for the organization's risk management functions.

Integration—Establishes and maintains liaison with *Handi-Wheel's* (any organization's name) administrative staff to include directors, staff and others in coordinating risk management activities.



A Manager's Duties

Administration—Coordinates the creation of risk management policies, programs, and procedures.

Interdisciplinary Committee—Facilitates a committee which reviews health and safety concerns, and makes recommendations.

Insurance—Establishes and manages relationships with various risk management professionals and insurance consultants and vendors.

Performs other related job duties as required.



Risk Committee's Duties

- Establish the goals of a risk management program
- Identify the major risks the organization faces
- Develop risk reduction and loss control strategies
- Recommend risk financing strategies
- Selecting an insurance advisor
- Recommend various insurance coverages
- Occasional report to the board of directors on recent activity



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The Agency's People

The agency's most important resources:

- Managers
- Bus drivers
- Schedulers and dispatchers
- Board of Directors

What are the exposures?

- Violating protective characteristics (e.g. sexual harassment)
- Embezzlement/theft
- Criminal activity
- Reckless driving of vehicles/buses



Reputation

The blending of its mission and public perception is the transit agency's reputation.

- Adverse publicity and allegations
- Allegations of fiscal management
- Allegations of discriminatory behavior
- Injuries resulting from poor vehicle maintenance

“Possible result is loss in funding and customers.”



Income

A nonprofit can only exist if its income is equal to or greater than its expenses.

- ✓ A bus accident increases expenses (unplanned bus replacement)
- ✓ A building fire disrupts business and increases expenses
- ✓ Problems at fund raising events decreases income
- ✓ Bad reputation can cause loss of donors and decreases income



Property

- Property allows nonprofit to pursue its mission
- There are both tangible and intangible property
 - Tangibles are:
 - ✓ Real property
 - ✓ Personal property
 - Intangibles are:
 - ✓ Bank accounts
 - ✓ Investment documents
 - ✓ Its mission





Staff



Management

Supervision



Passengers



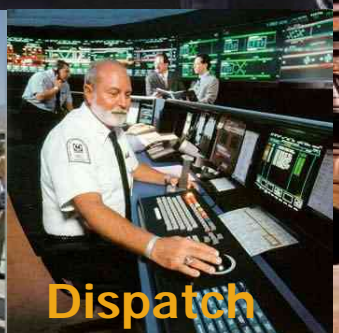
Maintenance



Security



Operators



Dispatch



Board



Everyone

Final Thought

- The ability to put this all together into a high caliber program defines the quality of risk management accomplished within the organization!

