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Funding Roads: Facing the Challenge, Exploring Options

Don Smith

IMC Worldwide Ltd

Challenge facing policy makers

Roads: Vital public infrastructure

Under intense financial pressure

Asset must be protected

Options:

Increase level of funding available

Do more with less – improve efficiencies

Improve public understanding of value.... And the need to pay more

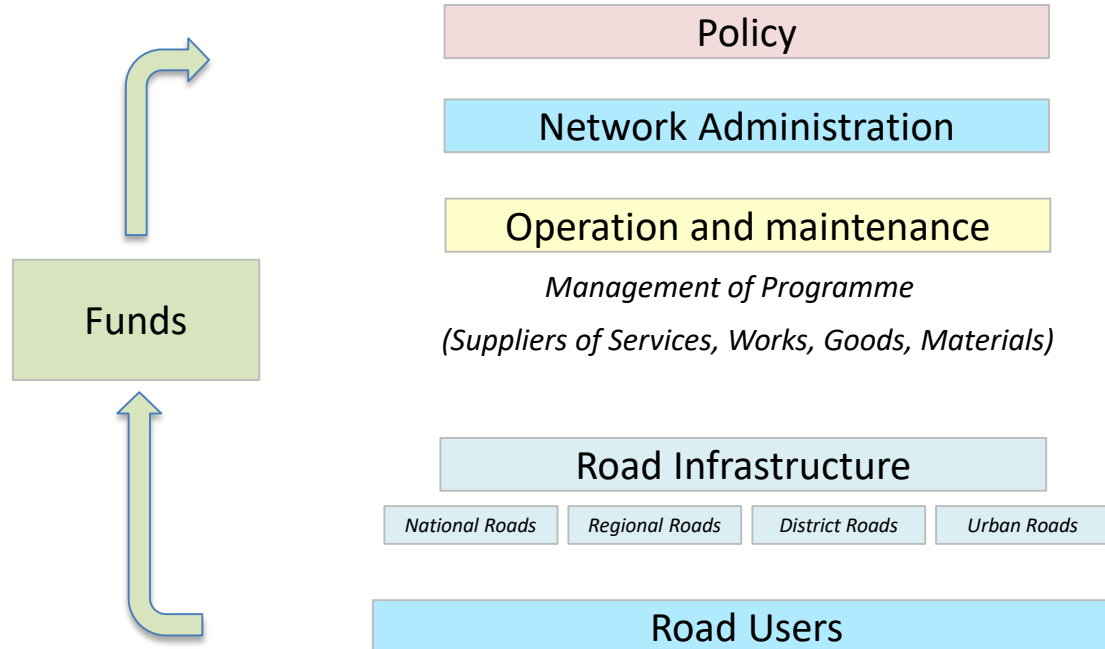
Common funding models

General Taxation: Funded from annual budget

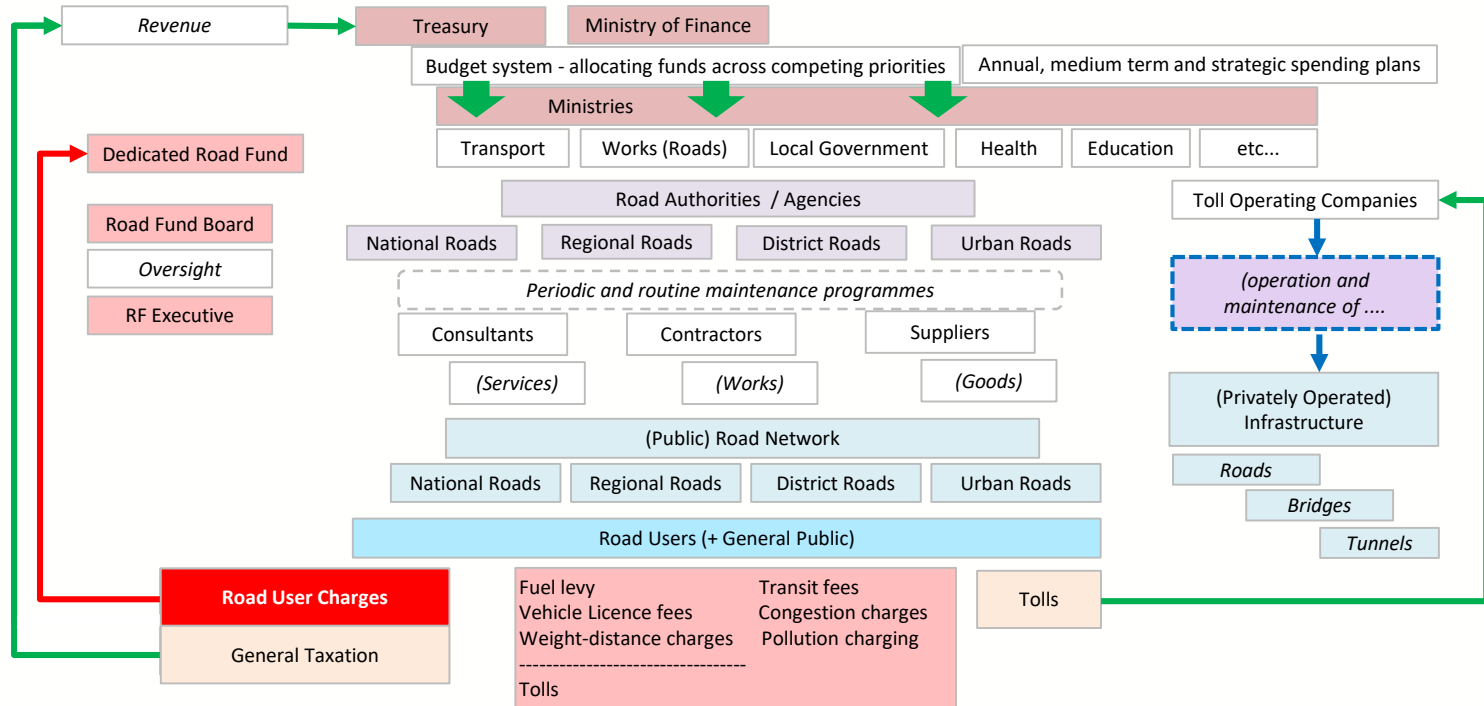
Dedicated Road fund – based on Road User Charges

Tolling – Roads, Bridges, tunnels

Basic Institutional Set up and Fund Flows



Institutional Relationships and Fund Flows



How Funds are generated

General Taxation:

All national and local taxes to the consolidated fund (e.g. on businesses, individuals, sales, property etc)

Dedicated Road fund – based on Road User Charges

“*Road related*” taxes/duties under General Taxation can be designated as RUCs with dedicated fund

Levy on fuel; vehicle licence fees; weight-distance charges, transit fees.

RUCs always socially/politically difficult to increase

Tolling

Systems of collecting: physical barriers, toll plazas; cash; credit cards; electronic tagging; ANPR etc

Certainty of collection vs traffic flow. Electronic tolling: avoidance; enforcement, recovery

How Funds are Allocated

General Taxation: The Budget process; long and medium term frameworks

The Budget process; long and medium term frameworks; spending ministries competing;

Dedicated Road fund – Road User Charges

More predictable funds; allocated on basis of need; based on user-pay principle

Funds allocated on basis of network size and maintenance standards

Tolling

Operating company collects tolls for duration of concession. To cover cost of investment + operating cost

Problems

General Taxation / National Budget

Level of Revenue Collection: below forecast; perennial challenge; politically sensitive

Expenditure: Exceeds estimates; Network length increasing; Reclassification of roads

Budget allocations: Competing national priorities; spending Ministries / Departments / Agencies

Disbursements lower than allocations > late payments > contractor confidence > reduced investment

Challenge: to improve efficiency, VFM within existing envelope

Dedicated Roads Funds

Still difficult to increase RUCs – esp fuel price: socially/politically very sensitive;

Changing mindset – when implementing new structures - can still be a challenge;

Funding alone not magic bullet: institutional framework, systems, processes still have to be effective

Toll Roads

Effective way of paying for new infrastructure – but limited scope

Not a failsafe solution – Gauteng; DartCharge – free flow - vs - enforcement, debt recovery

Responses

General Taxation / National Budget

Improve Revenue Collection

Expenditure Framework: improve long term, medium term planning

Ministries / Departments / Agencies: realistic spending plans; improve monitoring of spend; performance

Improve efficiency of management of road network; procurement, contract administration, VFM

Dedicated Roads Funds

Opportunity to put roads on user-pays basis

Need for robust planning, management and oversight arrangements – clear responsibilities

Continued need for liaison with Ministries (in practice, scope for manoeuvre can be limited...)

Toll Roads

Ongoing public relations challenge – demonstrate value for money; a better alternative

Enforcement of tolls, debt recovery

Next Steps.....

Investigate alternatives – may involve commissioning study – options

If existing system can be strengthened – agree measures to be taken

If new system to be adopted – detailed road map; implementation plan

Long term support programme to ensure effective roll-out (over several years)

Road funding challenges

Thank you