

Declaration from Ministers on Funding Transport

**2013 Annual Summit
Funding Transport**

2013

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PREAMBLE

Funding transport is a major challenge for transport policy today. The demand for mobility through high-quality transport networks and services is growing fast. With both public budgets and private sector resources under constraint, government authorities and industry must together seek new ways of ensuring stable, long-term funding for the sector.

Transport infrastructure is much more than asphalt, concrete or steel; it is the backbone of national economies, providing connections for people and goods, access to jobs and services, and enabling trade and economic growth.

With investment in transport infrastructure a long-term venture, robust, credible funding solutions that support trade, economic growth and environmental and social sustainability are urgently needed.

How transport infrastructure, services and systems can be funded to meet current and future demand was the focus of discussions when Transport Ministers from across the globe met at the International Transport Forum's 2013 annual summit. Their discussions on *Funding Transport* involved transport decision-makers and stakeholders from around the world and concluded with the following Declaration:

Noting:

that a reliable, intermodally integrated transport system is essential to economic prosperity and equitable access to goods and services;

that the system needs to be financially sustainable, safe and secure and meet high standards of environmental protection¹;

Recognising:

that sufficient infrastructure investment and maintenance is required to ensure a robust, high-quality, sustainable transport system;

Acknowledging:

that sustainable, inclusive growth requires productive investment and innovative funding solutions, not least to limit transport costs for industry and trade;

¹ Ministers made reference to and re-affirmed the *Declaration from Ministers at the 2012 Summit on Seamless Transport: Making Connections*

that investments in transport -- including for renewal and maintenance -- that both improve productivity in the long run and stimulate construction activity and employment in the short term are particularly relevant to economies where growth is suppressed;

that budgetary constraints and fiscal austerity stimulate innovation in funding solutions and present opportunities to explore transport finance reform.

Affirming:

that a long-term perspective on funding transport is needed to ensure that investment is aligned with strategic objectives and with asset lifecycles to preserve the integrity of existing networks; and

that careful planning and timely implementation are critical for efficient delivery of transport investments, particularly infrastructure.

Underlining:

the importance of allocating adequate funding for transport and infrastructure amongst other spending priorities to ensure a fair, transparent and sustainable system, while respecting jurisdictional responsibilities;

MINISTERS:

Emphasise the need to align funding for transport infrastructure and services with transport's fundamental role in the economy and society, considering fiscal constraints. This requires:

- stable funding arrangements that facilitate implementation of long-term policies that promote sustainable transport,
- anchoring funding in the benefits derived from transport,
- establishing consistency between funding practices and strategic directions for change in the sector, and
- adopting decision processes that ensure funds are deployed to their most efficient use.

Aim on the basis of these principles to:

- secure funding for investment in and renewal, maintenance and technical innovation of infrastructure and services needed for growth; and
- facilitate private sector participation in financing investment, where appropriate.

Re-affirm their responsibility to establish efficient and coherent governance frameworks for funding that promote effective co-operation among authorities and with the private sector and enable exploration of innovative funding systems;

Underline the potential for improvement in controlling the costs of investment in transport and for innovation in infrastructure finance and operations to ensure sustainable and fiscally responsible transport funding;

Agree that the principles and practice examined at the 2013 Summit demonstrate the importance of sustained investment in transport to long-term growth, productivity, and environmental sustainability, as well as to short-term economic recovery; in particular, the following points should be noted:

Meeting the growing demand for transport

- Even where networks are well developed, investment is needed to remove bottlenecks to efficiency and economic growth and to unlock the productive potential of specific locations.
- Balanced development of integrated, intermodal mobility systems frequently involves a greater role for collective transport modes; reliance of these modes on public revenue streams should be managed carefully.

Defining funding priorities

- Long-term planning and funding of transport infrastructure and operations requires an integrated, coherent policy framework based on agreed objectives and funding priorities for the transport system.
- For major transport infrastructure investments, identifying and understanding the full range of costs and benefits – including the external costs and wider social and economic benefits – is important for establishing spending priorities.
- These priorities include improving the overall quality of transport infrastructure and services, particularly as concerns safety, reliability, accessibility and environmental impact.
- Evidence-based policy-making requires adequate data. The Summit catalysed international efforts to produce better information for understanding the value and condition of transport infrastructure assets and determining levels of spending on maintenance and development.
- Public consultation and participation is essential for aligning investment policies with the public interest.

Mechanisms for sound and sustainable funding

- Sustainable transport funding draws from a range of sources. Ensuring transparency and reliability of revenue flows to allow implementation of strategic objectives is key.
- Funds with clear mandates and limited in time can bring stability and transparency to the funding of transportation.
- In the more developed economies, as road vehicle fuel economy improves fuel tax revenues may decline. This trend will accelerate in countries where climate change or other environmental policies stimulate deployment of alternative vehicles.
- Private investment and project finance in a variety of forms including corporate investment and public-private partnerships can make a major contribution to overall transport sector investment.
- Governments can work to facilitate investment from a broad range of financial partners through infrastructure banks, government-backed loans, and infrastructure bonds.

- New partnership models and alternative funding sources involving the private and public sectors can be developed to enhance funding.
- Public-Private Partnerships can deliver benefits when grounded in value for money and led by an effective project developer. Investment risks should be properly identified and integrated in contractual frameworks to ensure that they are sensibly allocated and properly managed. Selecting the right kind of project for PPPs is an important part of risk management.
- The liabilities for the taxpayer created by PPPs need to be identified, rendered transparent, limited for prudent fiscal policy, and compared with the liabilities for the taxpayer evident in more traditional approaches to transport funding.
- The drivers of value in PPPs – reduced costs, accelerated project delivery, increased competition and others – need to be evaluated, and lessons learned documented and disseminated for the benefit of transport agencies.
- Opportunities to improve the efficiency and effectiveness of project selection processes, project development and delivery, and operations of transport facilities – each of which can reduce costs – need to be considered as an important complement to efforts to secure more funding for transport.
- Effective cost control processes need to be further developed and adopted to limit the amount of funding required to deliver transport projects.

In conclusion

- All Ministers of the International Transport Forum declare their determination to pursue policies toward sound sustainable funding of the transport sector.

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