Transport Infrastructure Investment: Funding Future Infrastructure Needs

FRAMEWORKS FOR DECISION-MAKING

For the 3rd Working Group meeting
Vienna, Austria, 24-25 April 2006
Objectives

- To highlight that decisions regarding innovative funding must take place in the context of government’s overall policy objectives and specific strategies for the transport sector.

- In this light, to provide examples of mechanisms for guiding decision-making.
Rationale

- Transport infrastructure involves key public assets.
- They have an enormous potential impact on individuals’ lives, including in terms of health, safety, economic well-being, etc.
- Decisions regarding such infrastructure must thus be in keeping with accepted values and objectives, and subject to public scrutiny.
- Furthermore, they should be shielded from parochial interests, and serve the greatest good of the greatest number of people.
- Innovative financing mechanisms are no exception – government will ultimately be held responsible for them.
Transport investments should reflect overall public policy objectives.

They should also reflect policy goals established for the transport sector, and for specific modes.

Only political decision-makers can establish these by way of legislation and policy statements.

Public Policy Goals: e.g. Economic Growth, Sustainability

Transport Policy Goals: e.g. Efficiency, Environmental Responsibility, Safety, Security, Accessibility, Inter-modality, etc.

Modal goals: e.g., Identification of strategic networks, specific principles for financing modes, etc.
Decision-Making on Investment

- Transport competes with other public priorities. At the highest level, only politicians can decide where to allocate funds, via public budgets.
- At the lower levels, elected officials remain ultimately responsible, and should remain engaged in the process.
- But, clear criteria, processes and objectives can shield decision-makers from pressures to base decision on parochial interests.
- These should incorporate higher level principles established for overall public policy and for the sector.
- Process should be guided by the highest principles of good governance: accountability, transparency, objective oversight, performance management.
- Should define specific roles of politicians, civil servants, etc.
The Role of Innovative Financing

- Innovative financing should support, and not conflict with, government’s overall objectives
  - This means it should be foreseen in policies and strategies
- At the network level, innovative mechanisms must be established in legislation. Thus, high level decision-makers oversee their creation
- At the project level, innovative mechanisms must fit into plans and requirement for the network and overall system
  - Legal frameworks are extremely important to establishing PPPs, etc.
  - Also, innovative mechanisms should be specifically accounted for in frameworks for decision-making
Example - Australia

- High-level objectives are established in policy statement for investment in all modes – Auslink
  - Provides link to overall government priorities
- Auslink serves as the basis for “decision support system” – National Guidelines for Transport System Management
  - Established by collaboration among all levels of government
  - Examines decisions at various levels, noting different objectives exist at each
  - Foresees stakeholder involvement
  - Describes the role of private financing, and recommends principles for using this (e.g. VFM, etc), as well as for government to contribute to a private project
  - Also establishes process for unsolicited proposals
Example - Australia

Australia’s Transport System Management Framework

Source: Australian Transport Council, 2004

Note: (*) This first version of the framework addresses corridor planning. Future versions will address area/region planning, which is relevant to urban settings.
Example – USA

- Mode specific – Legislation (SAFTEA-LU) determines federal investment in highways
  - Establishes guiding objectives
- Innovative financing is highlighted as a key element
  - PPPs are not currently widely employed
- Includes specific initiatives
  - Facilitates use of private activity bonds
  - Allows federal funding of State Infrastructure Banks that could leverage private capital
  - Government credit assistance can be applied to private facilities for public benefit
“The best-laid schemes o’ mice an’ men
Gang aft agley”

Robert Burns