


Transport Infrastructure Investment: Funding Future Infrastructure Needs

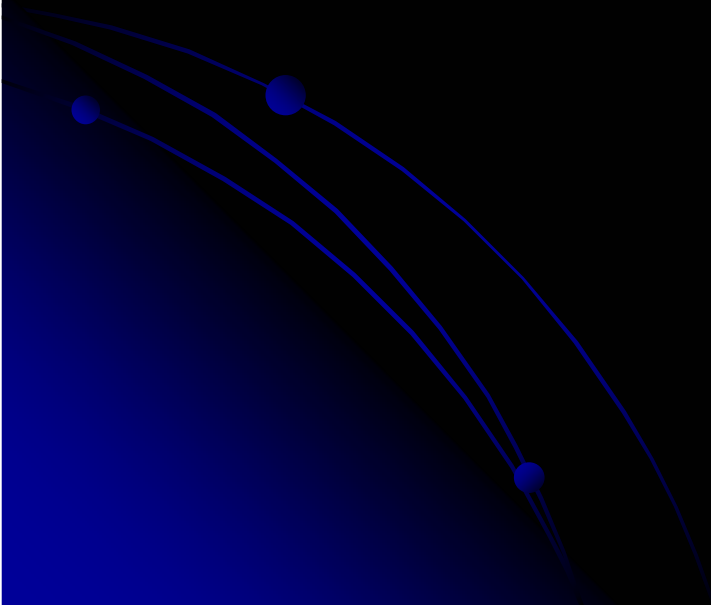
FRAMEWORKS FOR DECISION-MAKING

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 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

Highest Level of Decision-Making

- 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

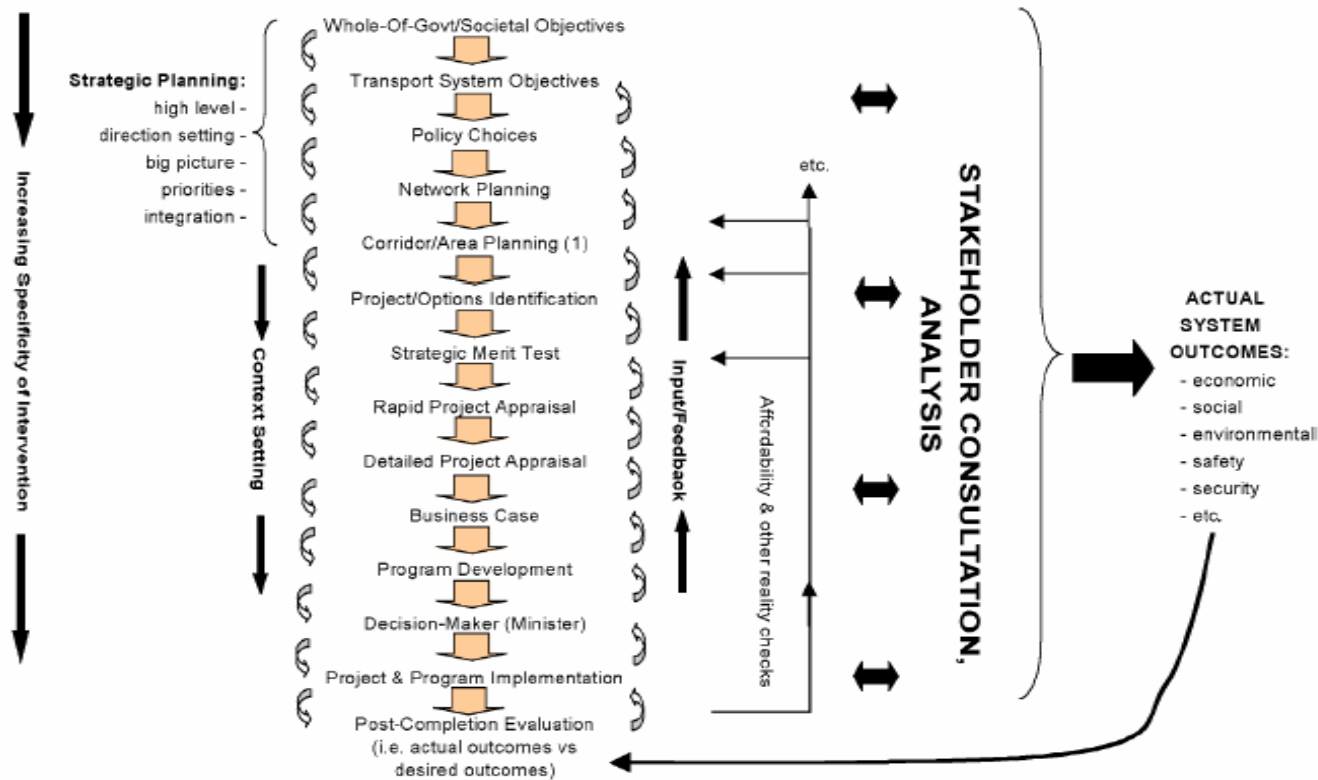
- Innovative financing should support, and not conflict with, government's overall objectives
 - This means it should be foreseen in policies and strategies
- At the network level, innovative mechanisms must be established in legislation. Thus, high level decision-makers oversee their creation
- At the 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



Note: (1) This first version of the framework addresses corridor planning.
 Future versions will address area/region planning, which is relevant to urban settings.

Source: Australian Transport Council, 2004

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

