

Managing Roads 2: Who Should Pay for our Roads?

Understandably, this tends to be a contentious issue, given that everyone wants to benefit from using the roads, but no one wants to pay for them! But someone has to. The issue is who and how?

There are a number of issues to consider here: firstly, should they be paid for out of general taxation (through a budget allocation from the Ministry of Finance), or should they be paid for by those who use (and benefit from them); or should it be a mixture of the two? What road management activities should be included? Should the funding for the construction of roads be treated differently from their subsequent maintenance, and should National, strategically important roads be treated differently from local roads? And who should decide what should be the level of funding for roads, or the correct policies (see above) to implement.

These are complex but very important issues as they have an enormous impact on the ability of any road organisation to provide the services that road users want and need. As for every business in any sector, the technical or managing capacity of any road organisation is irrelevant if it does not receive adequate funding, or receives it too late to pay its contractors and suppliers.

Furthermore, the level of funding should be as predictable and as stable as possible for as long as possible, because the consequences of road works have an impact on the road network's needs for 10 – 30 years into the future (and much longer for bridges). Road managers must therefore think that far into the future, if the resources provided today are to minimise the future road transport costs to the community. For example, it may well be better to spend twice as much on a more expensive treatment this year, if it results in much lower costs over the next 10 years. These are complex issues, but sophisticated computer programs are now available to help experienced road managers strike the best long term balance between these conflicting concerns, in order to minimise overall road transport costs to the whole community.

So, if society is to obtain the biggest benefits from its road infrastructure at the lowest cost, then it must provide funding to maintain these expensive investments, that is as long-term, stable and as predictable as possible.

Traditionally, this funding has come from general taxation, allocated through the government's Ministry of Finance. However, there are significant problems with this approach, all of which exist (to some extent) in Nepal at present:

1. The level of funding is not predictable from one year to the next, usually because of the conflicting interests and demands on government revenue during the political cycle. This makes effective long-term planning on the network meaningless, resulting in lower efficiencies and higher waste.
2. The actual disbursement of funds to road organisations is late or reduced, resulting in severe operational problems, such as an inability to pay suppliers. A common consequence of this is that in future, suppliers inflate their prices to reflect these risks, resulting in higher prices.
3. The amount of money provided for road maintenance is determined based on a wide range of other (whole-of-government) factors, and is unrelated to the actual needs of the network. The result of this is generally chronic under-funding (after all, how many politicians ever get elected for maintaining roads, rather than other more politically glamorous activities?).

There are other problems with this approach. In particular, everyone in the community who pays taxes are paying for roads, even if they never (or seldom) use them, and the amount that

they pay bears no relation to the amount that they use the roads. Furthermore, the only real way available to those taxpayers and road users to have their views and priorities reflected in the service that they receive, is through the very indirect mechanism of general elections, (when a myriad of other issues also effect the result). This is very indirect and imprecise with no effective accountability between and those providing the service and those paying for it.

Because of the practical problems that this approach presents, an alternative has been developed and implemented in many countries, using charges (not taxes) on road users, the revenue from which is used to fund road management through a Road Fund, completely separated from other government funds and functions. This Fund is overseen by representatives of those paying (a Roads Board), who are to reflect the views of the road users in establishing appropriate policies on how their funds are to be used in providing the road infrastructure. This approach is based on the following fundamental principles, beliefs and values:

1. Those who use the service (i.e. obtain the benefits from using the roads) should pay for the services that they enjoy. This can be achieved through the imposition of a small charge on the pump price of fuel.
2. The more someone benefits (i.e. uses) the roads, the more that they should pay. Again, a small surcharge on the fuel price achieves this, as well as encouraging fuel efficiency.
3. The more it costs to provide the road service, the more users should pay to cover these higher costs. This is particularly important for trucks, whose weight can cause expensive damage to the roads. Differential vehicle registration charges can be used to reflect this principle.
4. Those who pay for the roads should have a say in how their funds are used: i.e. what they want for their money and how much they are prepared to pay for what level of service. This is the role of a representative Roads Board (who must therefore be accountable to road users, who they are supposed to be representing).

Implementing such an approach has a number of significant advantages for the community as a whole:

1. The level of funding is far more predictable and stable than previously, and adjusts automatically: as road use increases, its maintenance needs increases, but so too does the revenue from users.
2. The entire road system can be self-financing and independent from other government issues. This frees up the Ministry of Finance to focus better on other areas of the economy.
3. The delivery of road services can be carried out outside of the public sector, allowing proper commercial, businesslike operations to be adopted, without the traditional public sector constraints. This should result in greatly improved utilisation of resources (e.g. money and people), higher morale and professionalism and far greater, more direct accountability to those paying for the services.

However, adopting such an approach can be politically challenging, because it requires the funding for roads to shift from general taxpayers to road users, who tend to be relatively wealthy and politically well-connected. This is especially the case in developing countries, where vehicle ownership is more the exception than it is in developed countries, and where the roads are often seen as a 'social service' "to be paid for by the government". However, despite this opposition, the realities of managing roads remain, and the second approach offers significant advantages to that based on the arbitrary allocation of taxes for roads. Furthermore, it is especially important for road users to understand that although they may think that they

are paying more, they should in fact be saving many times the amount that they are paying (typically, three times as much). They are therefore much better off adopting this second approach, and should be actively encouraging the government to adopt such measures rigorously. And once established, they should ensure that those representing their interests and spending their money are taking their responsibilities seriously.

In the next article, we shall consider what characteristics are necessary if we are to certify that the money spent on roads is used as efficiently as possible, on the most appropriate activities, to ensure that we get the “biggest bang for our bucks”!

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