Asset management for sustainable road funding

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IRF Summit 2013
International Transport Forum at the OECD

- An inter-governmental organisation with 54 member countries focussing on transport

- A think tank for global transport policy issues

- An annual summit of Ministers
Investment in inland transport infrastructure by region 1995-2011
As a percentage of GDP, at current prices and current exchange rates

Lähde: Spending on Transport Infrastructure 2013
Distribution of infrastructure investment between modes
Euros, current prices, current exchange rates

Source: Spending on Transport Infrastructure 2013
Road infrastructure spending
Percent of GDP, constant 2005 euros
Is current spending enough?

- The quality of transport infrastructure is a key determinant of performance in the transport sector

- Countries spend considerable amounts of money on transport infrastructure - yet data on spending and assets are often lacking
  - Leads to less informed decisions

- Better data can lead to more robust macroeconomic analysis and benchmarking for supporting decision making
  - To prioritise investments, to assess condition of existing infrastructure, to compare infrastructure performance etc.

- ITF has provided recommendations for uniform data collection of transport infrastructure spending and asset data, leading to better decision making
Is current spending enough?

- Prevailing pricing structures in transport may lead to inefficiencies
- Better pricing – more social value from better use of existing infrastructure
- The relative decline in infrastructure investment spending in advanced economies may well be justified
  - Connectivity and quality of networks increases – marginal benefits of additional investment declines
- Higher expectations: maintaining or improving the quality of existing infrastructure likely to require increased spending
  - Likely to require increased spending on maintenance and upgrading as networks age.
Are we maintaining less?

Public road maintenance share of total road spending 1995-2011
Euros, current prices, current exchange rates
Underfunding of maintenance

- Under tight budgets road maintenance is often postponed
  - In reality costs often greater than indicated by current expenditure due to deferred maintenance
  - Increases asset vulnerability to disruptions
- Key challenge is to quantify costs of underfunding and bringing these to the attention of decision makers
  - Equivalent interest rate for deferred maintenance
- Maintenance and operations increasingly outsourced
  - No one type of contract for all situations - importance of developing tools to evaluate different approaches
Strategic asset management

- Road networks represent one of the principal assets held by governments
  - Still data on asset conditions is lacking in many jurisdictions
- Strategic asset management a key to understand needs, vulnerabilities and trade-offs
- Link to long-term financial planning - sustainability for sources of funding are key to maintain performance
- Optimal service levels are not static – asset management strategies need to account for this
- Overall aim: optimise the service level delivered over the life-cycle of infrastructure
- Performance measures help to identify required outcomes
- Primary focus on value to users
Thank you

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