

EVOLUTION OF ROAD ADMINISTRATIONS

18 September 2007 (afternoon)

SPECIAL SESSION 1

INTRODUCTORY REPORT

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INTRODUCTION

The increasing importance given to the protection of the environment has deeply changed the approach and ways to manage the business projects in the road sector. In the past, the role of road administrations was mainly to provide the necessary infrastructure to meet the steady increase of traffic, whereas now they must face the challenge to develop sustainable transport policies where land planning and transport demand are analysed so as to give priority to environmental friendly solutions.

In addition to environmental concerns, the general budget constraints and the pressure from competition make the reform of the road sector necessary. The road administrations are currently experiencing major changes in their missions and organizational structure under the combined effect of 2 principals that apply to most of them: decentralization (different allocation of the road network among the public authorities) and externalisation of various tasks.

The session will address 2 topics: decentralization and externalization. Through various examples, it will bring forward items for discussion about the changes and the operational aspects of road administrations around the world.

The session is in no way aimed at comparing the various operation models, or showing that one organisation model is better than another. Complex factors such as the administrative culture of the country or the positioning of the State, or even the delicate evaluation of performance would put limits to such conclusions. In the same way, it is hardly possible to consider applying exactly the same operation model from one country to another.

It should also be noted that, although financing and organizational issues are closely related, this session will not discuss, but briefly describes, the financing aspects, which are covered by the session on "Financing road investments".

1) DECENTRALIZATION OF ROAD ADMINISTRATIONS

Local governments in the world are considerably different in terms of organization, jurisdiction, financial resources and operation. However, the past years have been marked by an overall shift towards the empowerment of local authorities through primarily constitutional reforms.

In most countries around the globe, the transfer of State roads to local authorities is observed and this is far from an isolated trend. Such a transfer is actually part of an overall decentralisation process of power, and the aim is to grant more autonomy to local communities.

The first part of the session, dedicated to decentralisation, aims to present the recent experiences in decentralisation that reflect this trend common to many countries, i.e. the transfer of the national network to local authorities, and the impact on the organization of road administrations.

The examples selected do not include very large countries, in which the sharing of powers between the State and local authorities is mainly determined by efficiency issues.

The first part of the session will start with the experience in France, followed by a presentation by the Japan Bank for International Cooperation on the impact of decentralisation on the development of road administrations in South-East Asia, and lastly a presentation on the decentralization process in Morocco.

In France, in January 2006, the transfer from the State to the French *départements* of roughly 18 000 km of roads, i.e. more than half of the national network, and the related staff, has forced the State to fully reorganize its road services, according to an entirely new reasoning for setting actions and objectives.

As far as the State is concerned, refocusing on a core network, comprised mainly of the most high volume traffic routes, allows a more specialized operation and an improved professionalism for the organization of the various divisions, through the creation of structures dedicated to roads. With the *départements*, having control of the overall local system, their own infrastructure and technical services, enables them to provide more adequate local land planning policies, and an improved and more intensive involvement of the citizens and elected representatives.

The State and the *départements*, each in their own sphere, are therefore engaged in profound reforms. Nevertheless, they are expected to jointly implement the tools, the means and cooperations that will enable them to provide users with a consistent and quality service. These are the main issues that will be discussed when the French case is presented.

The presentation of the Japan Bank of the International Cooperation will give an overview of the decentralization process in South East Asia, a region where this trend has emerged fairly late on the various governments policy agenda (it occurred in the second half of the 1990s, to the exception of the Philippines). This will be the opportunity to review the structural changes brought about by decentralization, and the impact on infrastructure development in South-East Asia.

Lastly, with regards to Morocco, as early as the first years of independence, the choice of a gradual decentralization was made and over the years the country has adopted a legislative framework in favour of decentralization.

In order to adjust to its environment, the Road and Road Traffic Directorate of Morocco (DRCR) have gone through several changes that will be presented in the session. In particular, in order to anticipate and support the institutional changes in the area of decentralization, DRCR has proceeded to the de-concentration of its structures and has constantly adapted them to provide the required effectiveness of its actions.

For the Moroccan DRCR, after the phase of accompanying measures to decentralization, one of the main issues today is meeting the needs for economic and social development of rural areas. In that regard, promoting regional development is one of the fundamental lines for implementing investment programmes. It is articulated around 2 main concerns: improve local feeder roads and develop access to rural communities, so as to support economic development projects on the one hand, and to promote partnership through a greater involvement of communities and associations in local development projects on the other.

In addition to these examples of decentralization, the first part of the session will also give the opportunity to present original examples of re-centralization, as it is the case in Switzerland, where the situation is characterized by changes in responsibilities among the cantons and the Federal level. In fact, with the cross-subsidization reform, which is to take effect on 1st January 2008, the construction, maintenance and operation of national roads—which were previously provided by the cantons—would fall upon the Federal government (the Confederation), which would be the only financing authority. At the same time, the reform aims at reducing the role of the Confederation with regards to the roads of the cantons. The main challenge facing the Swiss Federal Roads Office is to lead the transformation process so as to have an operational structure available by 1st January 2008.

2) OUTSOURCING AND ITS LIMITATIONS

The second part of the session will highlight the main configurations for national road administrations and the various situations as to the extent of outsourcing, and also the limitations.

In fact, the organization of road services very much varies from one country to another, in some cases considerably, and takes various forms: road directorate integrated into the ministry in charge of transport, road agencies, public or private companies in charge of the management of the whole national network, etc. The organization model depends on various factors, in particular the number and allocation of national competence in the area of roads, and the number of activities that are outsourced.

Regarding the share of competences in order to improve the efficiency and quality of the road administrations, several countries have opted for a format of operation with the aim to move from a unique traditional organization to two distinct organizations. The first one, for example the client, is responsible for the strategic functions, essentially planning and overall management of the network. The second one, the producer, is in charge of production functions, i.e. design, building and the operation of the network. At the end, the production unit can be transformed into an independent public or private company. Hence, production is separated from the strategic political issues, with the aim to permit a more efficient management, usually by means of a performance based management system.

In addition, national road administrations, in particular when they are separated from the Ministry, entrust the private sector with an increasing number of missions. Road administrations can then be distinguished by the degree of outsourcing of their activities. These are activities which are under the responsibility of the administration but which are delegated. This delegation can be done in favour of the private sector or in favour of local authorities as it is the case in Germany.

However, outsourcing is facing some limits or at least raises some questions.

Hence, after a presentation of an inventory of the various modes of the organization of the road administrations throughout the world, the second part of the session will be devoted to a presentation of two examples illustrating the limits of outsourcing: practice of police duties in England by the Highways Agency, and outsourcing of engineering studies in Quebec, which generate some questions.

The second part of the session will end with the presentation of an original case of outsourcing, not towards the private sector but towards local authorities. This is the case in Germany where the federal administration holds only the legal competence (ownership, financing, competence for decisions on principle matters), management of the federal trunk road is performed by the 16 Länder which have specific competences on this matter and which are acting with a delegation of power from the Federation.

The presentation of this case will provide the opportunity to describe the administrative structures which have been established for that purpose by the Länder, basically four kinds of organizations which strongly differ from one another : sometimes a public company directly under the umbrella of the Ministry of Transport of the Land in charge of maintenance and operation of the roads of the Land ; sometimes establishment of a private company for the Land; sometimes one office of road building as an integral part of the State administration of the Land; or finally a structure resulting from the concentration of three level of local authorities (Länder, districts and municipalities – and cities).

Katayoune Panahi-Calmen (France)