



## C1.2 /WG Financial and management strategies

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durables



# OUTLINE

- ◆ **Rationale & methods**
- ◆ **Organizational trends**
- ◆ **Financing**
- ◆ **A strengthened governance**
- ◆ **Lessons?**



# RATIONALE

- ◆ Road management and financing tightly linked
  - ◆ Roads: an essential part of the logistics chain
  - ◆ Road services and not only infrastructure
  - ◆ Road for citizens and economy
- ▶ Alternatives for the provision of road infrastructure and services must not be a matter of dogma.

# THE METHOD

- ◆ Depicting and analyzing the existing  
Searching the trends
- ◆ A questionnaire  
Collaboration PIARC and CEDR  
26 answers
- ◆ TRB 2006  
joint seminar with OECD-ECMT /ITF  
joint transport research center

# ORGANISATIONAL TRENDS

- ◆ 4 main possible models:  
Central / local administrations;  
Public agencies or public companies;  
Private companies
  
- ◆ Breakdown of road network between central gvt and local authorities
  - ✓ Focus on core network (E, F, I, Ö.....)
  - ✓ Clarification of responsibilities (CH : NFA....)
  - ▶ *No link with political organization (central./fed.)*
  
- ◆ Unbundling policy / management

# "COMMERCIALIZATION" & PARTNERSHIP

## ◆ Procurement

- ✓ Less direct labor (even in maintenance)
- ✓ Performance-based contracts → indicators
- ✓ Purchase of infra. services and not infra. asset  
*but asset-based financial securities?*
- ✓ Life-cycle cost savings by bundling const.& op.
- ✓ "competitive dialogue"

## ◆ Quest for new resources

- ✓ "fiscal" toll
- ✓ "concession" toll
- ✓ time spreading of financial burden

## ◆ Comprehensive long term contracts PPP as a management process a financial process

# "CORPORATISATION"

## ◆ Delegated management

- ✓ Private concessions (E, F, I....)
- ✓ Institutionalized PPPs (IPPPs)
- ▶ Back to the future
  - ≠ only toll operators (D, N)

## ◆ State-owned companies

## ◆ Executive agencies

## ◆ In-house contracts

**≠ Road funds only for earmarking resources**

**▶ Need for a new regulation**

# WHERE DOES THE MONEY COME FROM?

## ◆ The means

- toll
- general taxes
- specific taxes
- taxes capturing the generated value
- infrastructure-linked developments

## ◆ The process

- the general budget
- the earmarked taxes (road funds)
- specific organization (authority, concessionnaire)



# MAY PRICING BE FREE?

- ◆ Natural monopoly or dominant position
- ◆ Non contestable market (infra./services)
- ◆ Competitiveness of economy
- ◆ Spatial planning
- ◆ Social equity
- ◆ Tariff elasticity of traffic
  - > risk of lower social utility
- ◆ HGV / private cars

# A STRENGTHENED GOVERNANCE (1/2)

## ◆ Different roles for different bodies

Strategic plan, programming, resources allocation, project design, project management, political and adm. process management....

## ◆ Contractualization

✓ Global contract

✓ Medium term contracts (embedded) for fine tuning  
≈ / ≠ renegotiation

## ◆ Regulations & best practices

## ◆ Audits and users' surveys

▶ How to reconcile competition and partnership?

# A STRENGTHENED GOVERNANCE (2/2)

- ◆ Regulations & best practices
- ◆ Audits and users' surveys
- ◆ Procurement
  - ▶ How to reconcile competition and partnership?
  
- ◆ **NEW REGULATION PROCESS** to be set up
  - A new task for public administration
  - A new relationship for private sector
  - Increase of transaction costs
- ⇒ A CHANGING BUT NOT A WEAKER ROLE FOR GVT

# SPECIFICITIES OF THE ROAD SECTOR

- ◆ **A service often provided "free"**
- ◆ **A strong weighting for long-lasting infrastructures**
- ◆ **Important externalities**
  - ➔ economic profitability > financial profitability
- ◆ **Increasing traffic**
  - Long period for financial return
  - Usually a positive evolution
  - Important need for cash (especially at the beginning)
- ◆ **Increasing profits**
- ◆ **Pricing at marginal cost/budget balance**
- ◆ **A demand difficult to forecast (multiple users)**

# A TRANSPORT POLICY IN A MARKET ECONOMY

## ◆ A POLICY

- To choose : socio-eco. / financial profitability
- A system
  - Synergy between transport modes
  - Significance of interchange points
  - Significance of information (data & processing)

## ◆ A MARKET ECONOMY

- Incentives / regulations
- An unavoidable fact : the user chooses

# EFFICIENCY

## IS “ CORPORATIZATION ” THE KEY TO SUCCESS ?

- Efficient way to earmark funds
- A long range comprehensive view
  - ➔ A better balance between initial investment, additional investment, maintenance...
  - ➔ Better asset management
- Discipline of management
- Benchmarking between operators
- Earmarking resources
  - Cash for new stretches by backing on existing network
  - Sharing of risks between stretches in a network
- A way for innovation

# BE REALISTIC

- The philosopher's stone does not exist  
Two payers only : user and tax payer
  - Government regulator and protector, at least
  - No partnership without legal safety  
(i.e. constraints for the public partner)
  - No partnership without actual commitment of the private sector
  - In a market economy, the user chooses
  - Partnership = cooperation / competition
- ▶ **Beyond the wording and the legal cultures to understand the core concepts.**



*Thank you*