Transport Funding Principles:

Examples from NZ and overseas

Let's go there

Ministry of Transport
NZ Transport Regulatory System Funding Principles

Risk exacerbators and beneficiaries pay, principally focused on the main risk exacerbators- Costs should be allocated primarily according to who creates and exacerbates the risks in the system and receive benefit from participating in the system; where particular groups create more significant risks or derive more benefit, graduated approaches should be used.

Users pay for services, but incentives are important- When users access a regulated transport service (for example, licensing and registration or access to dispute resolution or adjudication), the user should pay the cost of the provision of that service, unless there is a good reason not to e.g.: to create behavioural incentives or because of one or more of the other issues for consideration listed below

Sustainable -The funding model should be sustainable over time. Regulators and the Ministry should be funded to carry out their regulatory and other functions in a financially sustainable and efficient manner to meet the Government's desired outcomes from the transport regulatory system.

Funding supports system objectives- The method of funding should support, and at least not conflict, with the objectives of the transport regulatory system and the purpose of the funding.

Crown funding- Crown funding should be limited to functions with broad, indirect or very widely distributed benefits. In the transport regulatory system, Crown funding will cover most Ministry activities and fewer regulator activities

Transport-Regulatory-System-Funding-Principles.pdf

Chicago Metropolitan Agency for Planning, Illinois: Funding Principles

Sustainable – A long-term solution adaptable to evolving mobility trends. New transportation revenues must provide ongoing, sufficient, and sustainable funding to improve and enhance the system.

User supported – Fees paid by those who gain the most benefit from the system. Costs should be paid primarily by those who use the transportation system or derive the most benefit. This may include replacing traditional revenue sources with modern user fees such as a road usage charge and setting varying rates based on vehicles' impacts on the system.

Equitable – Options that consider the ability of users to pay. Some revenue sources can have disproportionate impacts on low income residents. To promote equity, new revenues should address the burden of increased costs on lower income individuals or offset such costs through other tax strategies.

Performance-based – Transparent criteria to address critical needs. Project selection criteria must be used to fund the projects of greatest benefit to the public. A performance-based approach can result in a geographically equitable distribution of funding while allowing all areas to access the funds they need for large, important projects.

Multimodal – Achieving a well-integrated system. Revenue must also be allocated to all modes of transportation to improve not only the region's road network but also transit, freight, bicycle, and pedestrian infrastructure to help the region achieve a well-integrated multimodal system. Supporting all modes requires that all jurisdictions be permitted to fund transportation improvements that would benefit their residents and businesses, regardless of jurisdiction or ownership.

8f7831bd-4945-a20a-e5e2-3dc940d4b8c4 (illinois.gov)

The Treasury:
Guidelines for Setting Charges in the Public Sector

The Treasury has developed a guidance document to assist government agencies in designing and advising on cost recovery regimes and to effectively manage and monitor cost recovery. As part of designing a cost recovery regime, government agencies should consider the following key principles:

Authority: does the public entity have legal authority to charge a fee for the goods and services provided?

Effectiveness: is the level of funding fit for purpose? Are resources allocated in a way that contributes to the outcomes being sought by the activity?

Transparency: is information about the activity and its costs available in an accessible way to all stakeholders? Including managing and monitoring the regime.

Consultation: Has stakeholders been engaged in a meaningful consultation with opportunities to contribute to policy and design of the cost recovery activity?

Equity: Will stakeholders be treated equitably? Has the impacts of the cost recovery regime been identified, including impacts over time?

Simplicity: is the cost recovery regime straightforward and understandable to relevant stakeholders?

Accountability: public entities are accountable to Parliament and the public

Transport-Regulatory-System-Funding-Principles.pdf

GPS Land Transport 2021
Funding and Financing Principles (tentative)

Where transport is one of many outcomes being pursued, the Fund should appropriately represent transport's share – this is an opportunity to pursue more ambitious packages that have wider benefits, and of which transport is just one part

For investments (such as rapid transit) that generate value uplift, capturing some of this value should be considered to offset the costs of the transport investment

Targeted funding, where those who directly and significantly benefit from an infrastructure project pay a greater share of its costs, should be considered

The procurement approach should seek to best deliver the investment objectives while optimising whole-of life costs

When seeking investment from the Fund for large intergenerational projects (over $100 million) and projects where transport and other outcomes are advanced together, financing approaches should be considered. This includes considering alternative sources (e.g. new Infrastructure Funding and Financing tools) and alternative operational models (e.g. Public Private Partnerships). The Ministry of Transport and Waka Kotahi will expect confirmation that there has been adequate consideration of financing before supporting such large projects

Government Policy Statement on land transport 2021/22-2030/31

NZ Infrastructure Commission: Draft NZ Infrastructure Strategy Infrastructure Funding and Financing Principles

Principle 1: Those who benefit pay (the benefit principle) - Infrastructure services should be paid for by those benefiting from the services.

Principle 2: Intergenerational equity - Financing and funding arrangements should reflect the period over which infrastructure assets deliver services.

Principle 3: Transparency - Wherever possible, a clear link should be made between the cost of providing infrastructure services and the funding of that cost. If feasible, prices should be service based and cost-reflective.

Principle 4: Whole-of-life costing - When considering funding requirements for an activity, the whole-of-life costing should be included.

Principle 5: Administratively simple – The costs of administering funding and financing arrangements are an important consideration as they can offset the benefits of 'better' options.

211012-Draft-New-Zealand-Infrastructure-Strategy.pdf (tewaihanga.govt.nz)

Australian Department of Infrastructure and Regional Development Principles for Innovative Financing

Transport projects are selected based on their capacity to meet identified national priorities and deliver the greatest benefit to the Australian community and economy. Only projects that will deliver a clear benefit to the public should receive funding or financing support from the Government.

Transport proposals are assessed against the extent to which they align with integrated transport and land use planning strategies, including urban renewal and housing supply.

Transport proposals are assessed against the extent to which technology solutions are used to optimise the capacity of existing and new infrastructure.

Assessment of proposals for public funding of transport projects should include consideration of what proportion of the project can be funded by the beneficiaries of the infrastructure through targeted contributions and what proportion of the project should be funded by the broader community.

The suitability for innovative financing arrangements should be assessed for all projects before the amount of grant funding is determined.

Project financing should be designed to minimise the level of public subsidy needed to deliver the project and meet whole-of-life asset costs.

Private sector engagement in infrastructure and services should be optimised and any government intervention should be targeted and limited to that needed to overcome clear and specific market failures.

Partnerships with private sector should involve an appropriate allocation of risks. Where risk is borne by the private sector, it should be transparently priced and present value for money for the Australian public.

Principles_for_Innovative_Financing_Mar2016.docx (live.com)

Transport Funding Principles	Illinios	Regulatory	Treasury	Infracom	GPS	Australia
Beneficary Pays						
Risk Exacerbator Pays						
User Pays						
Sustainable						
Supports System Objectives						
Crown Funding Limited						
Authority						
Transparency						
Consultation						
Equity						
Simplicity						
Accountability						
Performance Based						
Optimise Whole of Life Costs						
Multimodal						
Benefits from use of tech						
Minimise public subsidy						
Private Sector Optimised						