



## Finance & Economics

### Commercialisation of Asset Management

Commercialisation may be defined as bringing road management into the marketplace, putting them on a fee-for-service basis, and managing them like a business. The public works' administration ceases to undertake maintenance activities, but rather is responsible for setting technical standards, prioritising works, contracting for works, conducting audits to ensure that contractors perform according to contract terms and ensuring timely payment for works satisfactorily completed.

The administration will probably need to organize training programs for contractors in matters related to contracting procedures and audits. In some cases, where working capital is not available from private financial institutions on affordable terms, the administration may need to provide or guarantee loans and equipment leases from public resources.

Commercialisation that will facilitate sustainable management of public road networks normally requires policy reforms and new legislation. Sustainable reforms cannot be achieved without a consistent enabling policy and institutional framework, and a comprehensive program for transformation, capacity building, and mitigation measures for redundancy in public jobs.

Reforms are needed in the following categories or building blocks:

- Road user taxes, indexed for inflation, and sometimes introduction of tolls.
- Funds dedicated to road management funded by the above



and, at the outset, supplemented by publicly budgeted multi-year revenue commitments to secure an adequate and stable flow of funds. Road Funds may be given limited borrowing authority, especially from international or bi-lateral loan agencies.

- Management of the fund resources by a Board on which stakeholders representing road users are a majority, to generate support for adequate road funding and reduce public works agencies' policy making authority.
- Management of administration by a small Secretariat subject to legal regulations and to technical and financial audits. This agency may also be responsible for traffic regulations, axle load and vehicle safety controls, and road safety requirements.

Click on these links for information on:

- [effective ways to contract out road works,](#)
- [using HDM4 software](#) to plan road investments and schedule maintenance
- [life cycle cost analysis.](#)

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### Key Documents:

- Heggie, Ian G. and Piers Vickers, "[Commercial Management and Financing of Roads](#)", Technical Paper 409. World Bank, Washington, DC, 1998.
- Malmberg Calvo, Christina. "[Options for Managing and Financing Rural Transport Infrastructure](#)", Technical Paper 411, World Bank, Washington, DC, 1998.
- Gwilliam, Kenneth and Ajay Kumar. "[Road Funds Revisited](#)", TWU-47, World Bank, Washington, DC, 2002.
- Asian Development Bank, "[Road Funds and Road Maintenance: An Asian Perspective](#)", 2003.
- Burningham, Sally; Stankevich, Nataly; "[Why Road Maintenance is Important and How to Get It Done](#)", World Bank, June 01, 2005.

### Recommended Links:

- [World Bank](#) and [SSATP](#) hold the most extensive knowledge base on road management)
- [Transport Research Board \(TRB\)](#) of the National Academy of Sciences, USA,
- [Transport Research Information Services \(TRIS\)](#) the online database is the most comprehensive source of information on published transport research on the Web.
- The partnership between [FHWA](#) and [AASHTO](#) created the [Office of Asset Management](#), which has produced numerous [publications](#). The site includes a summary of existing and planned research activities organized by subject area. A review of Transport

Asset Management in [Australia, Canada, England, and New Zealand](#) and the asset management primer are of particular interest. The Office's mission is to encourage states to move away from a purely engineering based system to more of an economic system, to think more like the private sector when managing their assets--that is to consider costs and benefits and management from a user perspective. This includes launching a new investment analysis tool known as the HERS/ST for Highway Economics' Requirements System-state version.

- The UK's [Transport Research Laboratory \(TRL\)](#) is a useful resource on asset management issues. Most reports can be purchased. Among interesting titles are:
- [Low Cost Roads Update \(2002-2004\)](#). This issue of Current Topics includes over 60 abstracts of reports, conference papers, books and journal articles, including pavement management systems, including documents of TRL's Library Database and of the OECD's International Transport Research Documentation (ITRD) database.
- [Pavement Management Systems Update, 2006](#). This issue of Current Topics includes over 70 abstracts of reports, conference papers, books and journal articles. Numerous case studies demonstrate the implementation of PMS for highway networks in many parts of the world. Many of the items were selected from TRL and ITRD databases.

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### For further information

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