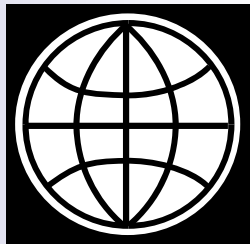




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*6<sup>th</sup> IRF Regional Conference on Road Safety Strategy in  
India  
New Delhi – Oct 3-5, 2011*

# Sustainable Road Safety Financing in relation to building Road Safety Management Capacity



Arnab Bandyopadhyay  
Senior Transport Engineer  
South Asia Region  
The World Bank



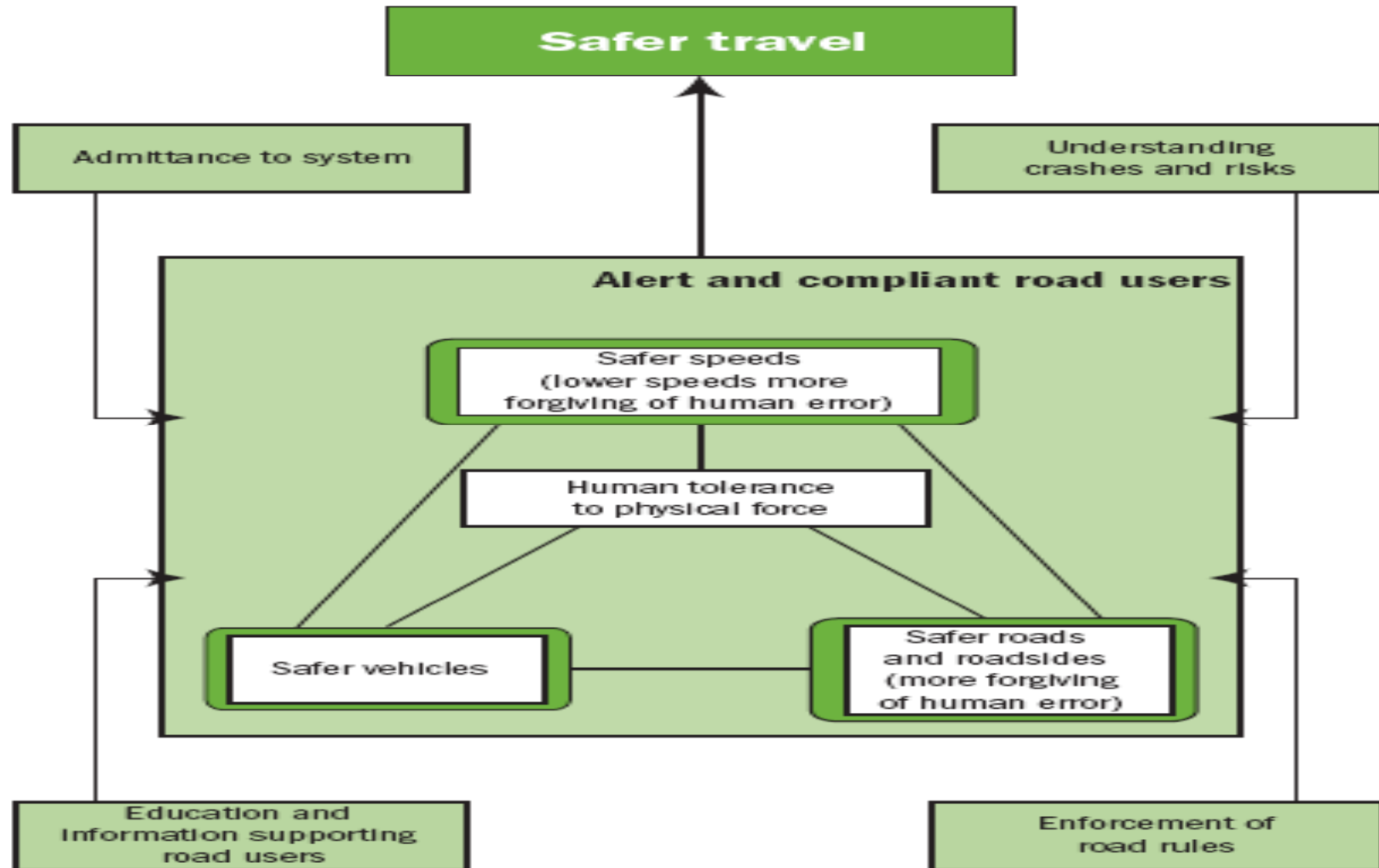
# Overview of presentation

- The Funding Challenge in the Safe System Approach
- Commonly used Funding Mechanisms
- The NZ Case Study
- Relevance for India



# The Funding Challenge In the Safe System Approach

# Safe System Approach





# Safe System Approach

- The responsibility for reducing risk is **shared** by **users** and **providers** of elements affecting safety of system
- Recognise that road users **make mistakes**
- Progressively develop a road system that **allows for human error** without leading to death or serious injury!
- Target road user **compliance** with laws and alertness



# The Funding Challenge - Who should Finance?

- System designer?
- Road User?
- Vehicle manufactures ?
- Insurance companies?
- All ?

Under the **shared approach** of the Safe System, everybody should contribute to road safety financing



# Commonly Used Financing Mechanism



## Which User Charges are most relevant?

Most common Road Use Charges that can be used for financing safety measures –

- Road Safety Surcharge on Motor Fuels
- Surcharge on compulsory vehicle insurance fees
- Surcharge on vehicle licensing
- Other income like traffic fines



# Road Safety Surcharge on Motor Fuels

- Part of the fuel taxes are earmarked for roads and channeled either through MOF or collected in separate account (road fund)
- Often the first call of such funds is road maintenance
- Road users need to be convinced of the benefit if additional safety surcharge has to be levied
- Advantage – charges cannot be evaded by road users
- Examples - NZ, US, Ethiopia



# Surcharges on Compulsory Vehicle Insurance Fees

- Several examples – Finland, Switzerland, Slovakia, South Korea, Finland being the front-runner
- In Some countries Insurance Companies contribute a certain percentage of premiums on voluntary basis (Fiji)
- Advantage of having good relationship between road accident costs and road safety user charges as long as the insurance premiums reflect the driver's risk profile
- Challenge – level of compliance with compulsory insurance is low in LIC (e.g. Pakistan 5%, Zambia 15%, Peru 22%)



# Surcharges on Vehicle Licensing Fee

- Several examples both in developed and developing countries— US (Virginia's EMS program), Australia, Tanzania, Botswana
- Unfortunately licensing fees and inspection fees are frequently subject to evasion in LICs and increasing fees may even lead to greater avoidance



## Other Road Use charges

- Surcharge on road tolls – South Korea
- Personalized Licensing Plates – NZ
- Levies on tire manufacturer profits – South Korea
- % age of traffic fines – Western Australia, few states in USA and Scandanavian Countries



# Private Sector Contributions

- BP's "Living with Traffic" in UK
- Honda's Driving Safety Promotion Program in Japan
- Shell's Road Safety Education Program in Germany & EMU Program in Malaysia
- 3M's Retro Reflective Safety Device Program in Romania
- Bloomberg Foundations initiative RS 10



# Safety Funding in New Zealand



## Safety Funding in New Zealand

Historically, funding for enforcement, public education and community safety activities was provided under the Safety (Administration) Program, and kept separate from the National Land Transport Program.

From 2006/07 safety funding was integrated with the National Land Transport Program, but the basis of its preparation and activities funded remained substantially the same.



# Funding sources and activities

## National Land Transport Fund:

- *Enforcement activities of New Zealand Police.*
- *Education and community activities of Land Transport NZ (formerly delivered by the Land Transport Authority)*

## Crown:

- *Policy activities (small allocation in past).*
- *Regional activities (in principle).*



# Funding sources and activities (cont'd)

## User fees:

- driver and vehicle licensing and testing.*
- safety audit services.*
- annual 'no-fault' insurance premium, to cover injury recovery and rehabilitation.*

## Local government:

- safety engineering.*
- community activities.*



# National Land Transport Fund

The National Land Transport Fund receives its revenues from three main sources:

- *Road user charges payable by heavy vehicles.*
- *A portion of fuel excise duties (petrol tax).*
- *Motor vehicle registration fees.*

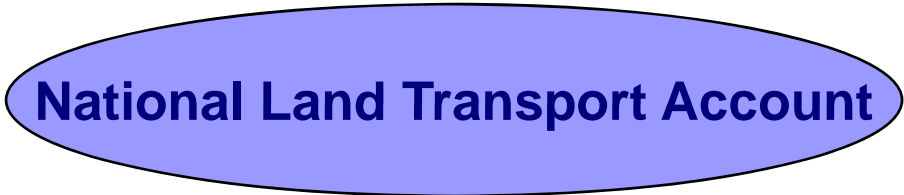
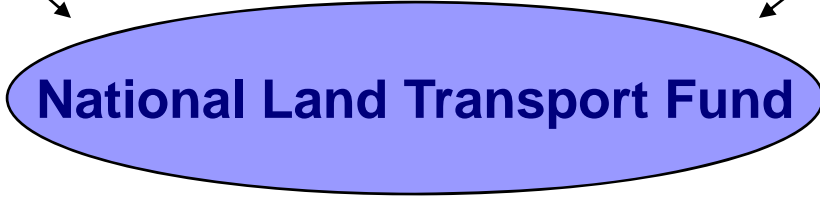
Road user charges and fuel excise duties each currently contribute more than 40% of total revenues, with the remainder coming from motor vehicle registration fees.



**Road User Charges**

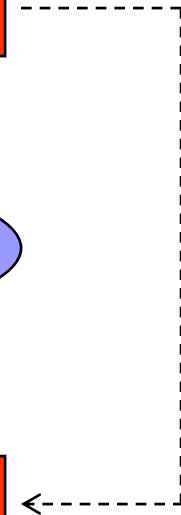
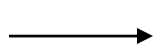
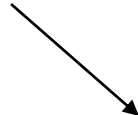
**Fuel Excise**

**Motor Vehicle Registration**



**Crown Account**

**Local Government Rates**



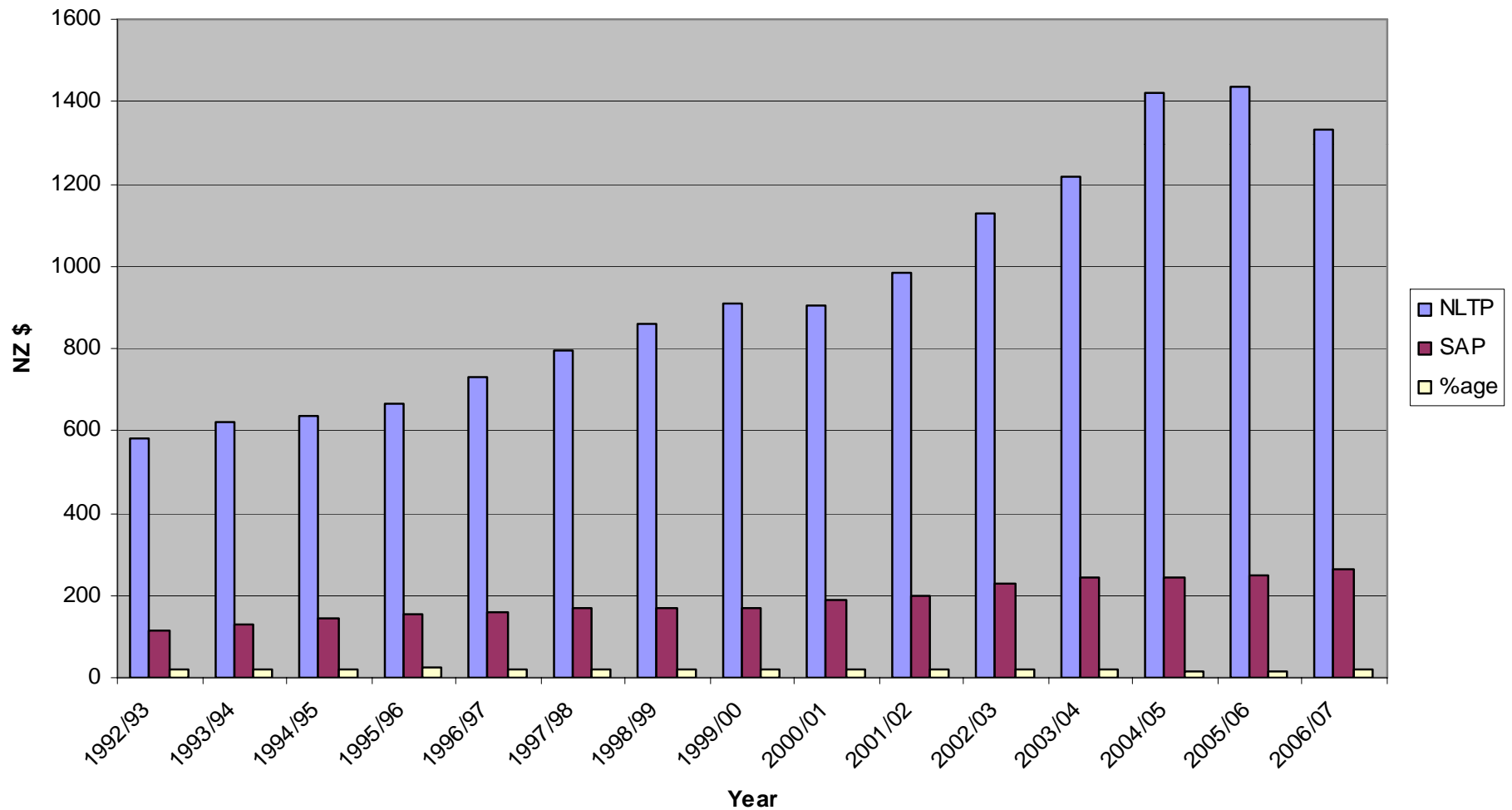


# Safety funding trend

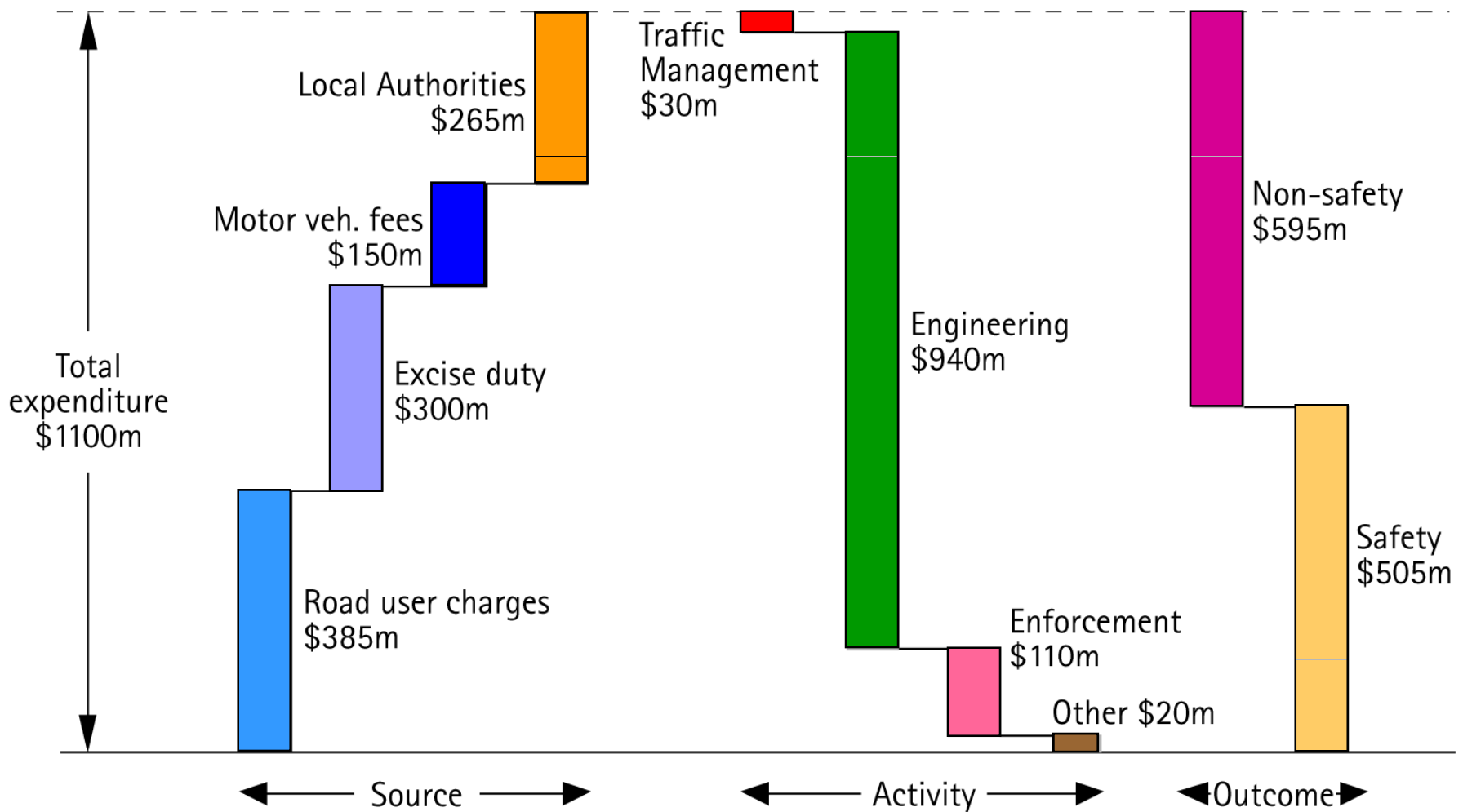
Over the last decade or so, safety funding from the National Land Transport Fund has been sustained at about 15- 20% of the National Land Transport Program.

# Safety component of road fund

National Land Transport Program and Safety Administration Program



# Partnership efficiencies





# Relevance for India

# Required Road Safety Financing in India

- Depend on the target set and mixture of interventions

Reduction in 2020 vs. 2010	10%		20%		30%		40%		50%	
	Year	2010	2020	2010	2020	2010	2020	2010	2020	2010
\$ billion	9.2	15.2	10.6	17.5	12.0	19.8	13.4	22.1	14.8	24.5

- Road Improvement 20% of benefit
- Enforcement activities 80% of benefit

Source : GRSF study , September 2008



# Relevance for India

- Huge requirements, all possible sources must be explored
- Existence of CRF and few other state road funds provide the opportunity for allocating a %age of fund allocation for safety, if not a surcharge
- Relatively high level of vehicle insurance compliance (more than 70%) provide opportunity for safety levy linked to vehicle insurance charges
- Almost 95% vehicle registration (improving further after high security number plate initiative) and relatively low registration charges provide opportunity for safety levy linked to vehicle registration charges
- Encouraging and synchronizing private sector interest , currently somewhat fragmented



Thank You