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Transport infrastructure – the municipalities are in need!

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The closed bridge spanning the Rhine in Cologne, damaged motorways and pothole partnerships: there is no shortage of prominent examples of decline in transport infrastructure. Financing this infrastructure now appears to be on the agenda of the coalition negotiations as well.

Upon closer inspection of the data jungle, things do not look good for municipalities in particular:

- Municipal roads span roughly 450,000 km and thereby make up nearly two thirds of Germany's road network.
- Of the more than 60,000 municipal bridges, nearly half are in very poor condition, according to a Difu study.
- The investment backlog in the area of transport has grown continuously in the last few years, according to the KfW-Kommunalpanel (see figure), despite funds from Germany's Konjunkturpaket II. The figure now stands at EUR 33 billion. This is a quarter of the entire municipal investment backlog and roughly EUR 8 billion more than the municipalities want to invest overall in 2013.

By order of the German Conference of Ministers of Transport, the Daehre Commission therefore certified an additional funding requirement for the maintenance and improvement needed of EUR 2.65 billion per year for municipal and district roads (excluding bridges) in the next 15 years.

What's the catch?

This year the municipalities expect a surplus of EUR 4 billion. So, there is obviously money available within the municipal system, but it is not being distributed equally. The result is that many regions of Germany lack their own resources for preservation.

Given their narrow financial leeway, many municipalities rely on subsidies from the federal and state governments. In the existing system, however, earmarked subsidies are limited to new construction and expansion measures, while reconstruction and replacement work is not eligible for support. Economically speaking, this makes sense for preservation: ongoing maintenance spending should be covered by ongoing income. Yet, this only works when ongoing income is available. That is no longer the case in many municipalities.

This situation may get worse. Starting in 2014, federal funds for the states will no longer be specially earmarked for spending on transport infrastructure – the funds may be used for other investment purposes. The EUR 1.3 billion worth of federal funding will then be eliminated entirely starting in 2019.

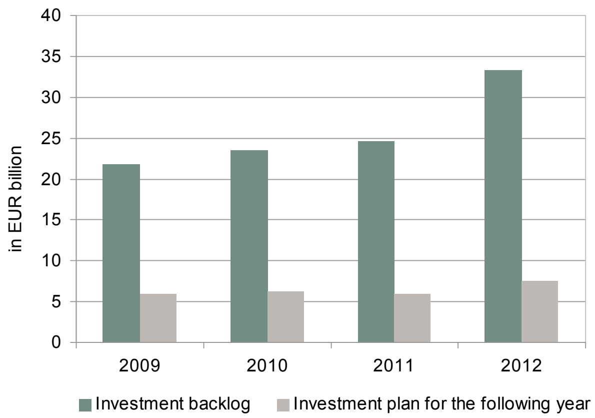
Rigorously implementing "preservation before new construction" measure ...

It would therefore be important to create new incentives for preservation and restrict expansions to bottlenecks in order to use the limited funds as productively as possible. The German Federal Government could set an example with clear regulations that favour preservation in the new Federal Transport Infrastructure Plan (Bundesverkehrswegeplan). The states could open up access to subsidies for reconstruction measures. The municipalities ought to be very disciplined in incorporating the follow-up costs of new infrastructure into a medium-term financial plan.

... but also reducing the need for maintenance!

At the same time, the need for maintenance could be reduced. It helps to take a look abroad here: instead of reconstructing heavily regulated intersections, the Netherlands relies on so-called shared space without traffic signs or signals. Shifting more transport of goods from the roads to the railways also increases the lifespan of roads and bridges. Finally, in view of demographic changes, it remains to be considered whether all municipal roads have to be maintained or the municipality should consider dismantling some of them instead. ■

Figure: Roads and transport infrastructure: investment backlog and investment activities of municipalities



Source: KfW-Kommunalpanel, various years