

TOLLING OPPORTUNITY

1. The analysis of maintenance needs and financing (Appendix 4) indicate that substantial increase in funding is needed to bring all National, Regional and Zilla roads to good to fair condition in the medium term. Long term sustainable development and maintenance of the national road network require substantial increase in budget allocation to the road sector and charging user fee on potential high traffic corridors can generate additional resources for increasing the allocation for maintenance and development of the national highway network.

2. The Roads and Highways Department (RHD) currently collect user fees/tolls on major bridges and three road sections. The toll policy in general allows tolling when major bridges are constructed and where alternate routes are available in case of roads. The budgeted toll revenue for 2012-13 as per budget documents¹ is about 4.2 billion Takka (approximately US\$ 52 million) from bridges and about 0.4 billion Takka (approximately US\$ 5 million) from roads. The toll rates currently charged have been in place for many years and the RHD is currently looking at revising the toll policy and the toll rates.

3. The requirement of alternate routes in case of roads to charge tolls do not allow charging toll to recover the cost of development of the Joydevpur-Elegns section as it is the only route to the North-west region. The “National Land Transport Policy” made in April 2004 by Ministry of Communication state that “reasonable maintenance costs can be collected in proportionate rate from roads users in special cases by making alternative arrangements (Article 5.5.3)”. In the context of generating additional resources for increasing the maintenance funding and ensuring sustainable maintenance of road assets, especially the new assets being created, tolling may be considered for Joydevpur-Elegna section to recover the maintenance costs. Currently the toll revenue goes to the general revenue pool of GoB. GoB is also considering the creation of road fund and tolls to cover the maintenance cost of major road development projects could be a revenue source for road fund, which then can be specifically used for the sustainable maintenance of those roads.

4. An analysis of maintenance requirements and the toll levels to meet the maintenance requirement has been carried out. The RHD is currently collecting tolls on 3 road sections and more than 50 major bridges and ferry crossings. The current toll rates have not been revised for many years. The Current toll levels on Dhaka-Sylhet road are given in Table 1.

Table 1 Toll on Dhaka-Sylhet Road (in taka per Km)

Trucks			Buses			Utility	Car	2&3W
Heavy	Med	Light	Large	Med	Light			
2.03	0.81	0.68	0.81	0.68	0.34	0.34	0.34	0.14

5. The toll collection considering revenue generation and equitable tolling for vehicles require location of tollbooths in each of the homogenous traffic sections. For the analysis, toll booths are considered at two locations to cover the 70 km section. Assuming the toll rates given in Table 1 as base rates and with a 5% increase in toll rates every 3 years, the present value of revenue generation over a 20 year period of operation with a 10% discount rate is 5.1 billion Taka. The routine, periodic and toll collection expenses have also been estimated for the 20 year period and the net present value is estimated at 3.7 billion. With the base toll rate, there will be no negative cash flow over the analysis period while meeting the maintenance needs and will

¹ Ministry of Finance website

generate a surplus of Taka 1.4 billion. Analysis was also carried out by varying the toll rates to identify the toll levels that will generate sufficient toll levels to meet the maintenance needs with no surplus indicate that the toll rate to be charged is 85% of the toll rate given in Table 1 or with no increase in toll rates. However, the small surplus with toll level as in Table 1 will take care of any variation in maintenance costs.

6. Overall, the analysis indicate that charging toll at current levels with a 5% increase every 3 years will generate sufficient resources for maintaining the project road to sustain the level of service. The National Transport Policy includes provision for charging toll to meet the maintenance costs. The tolls In terms of vehicle operating costs and time savings with the project, the toll rates in Table 1 is only about 30 to 40% of the benefit provided by the project. These toll rates are much lower than the toll rate required for a BOT project. It is to be noted that the toll rate in India for similar projects implemented under BOT is about 3 times for cars and twice for trucks and buses. In order to augment resources for sustainable maintenance financing, charging toll at current level with reasonable increment every 2-3 years may be considered.

7. A road financing mechanism will be developed under the TA for Institutional Development of RHD, and user charges may be considered for the project road.