WHO PAYS WHAT FOR URBAN TRANSPORT?

Handbook of good practices

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AGENCE FRANÇAISE DU DÉVELOPPEMENT

Liberté • Égalité • Fraternité
RÉPUBLIQUE FRANÇAISE
Ministère de l'Écologie, du Développement durable et de l'Énergie

CODATU

"Simplicity is the ultimate sophistication"

Leonardo da Vinci

One budget : to optimize costs and revenues...

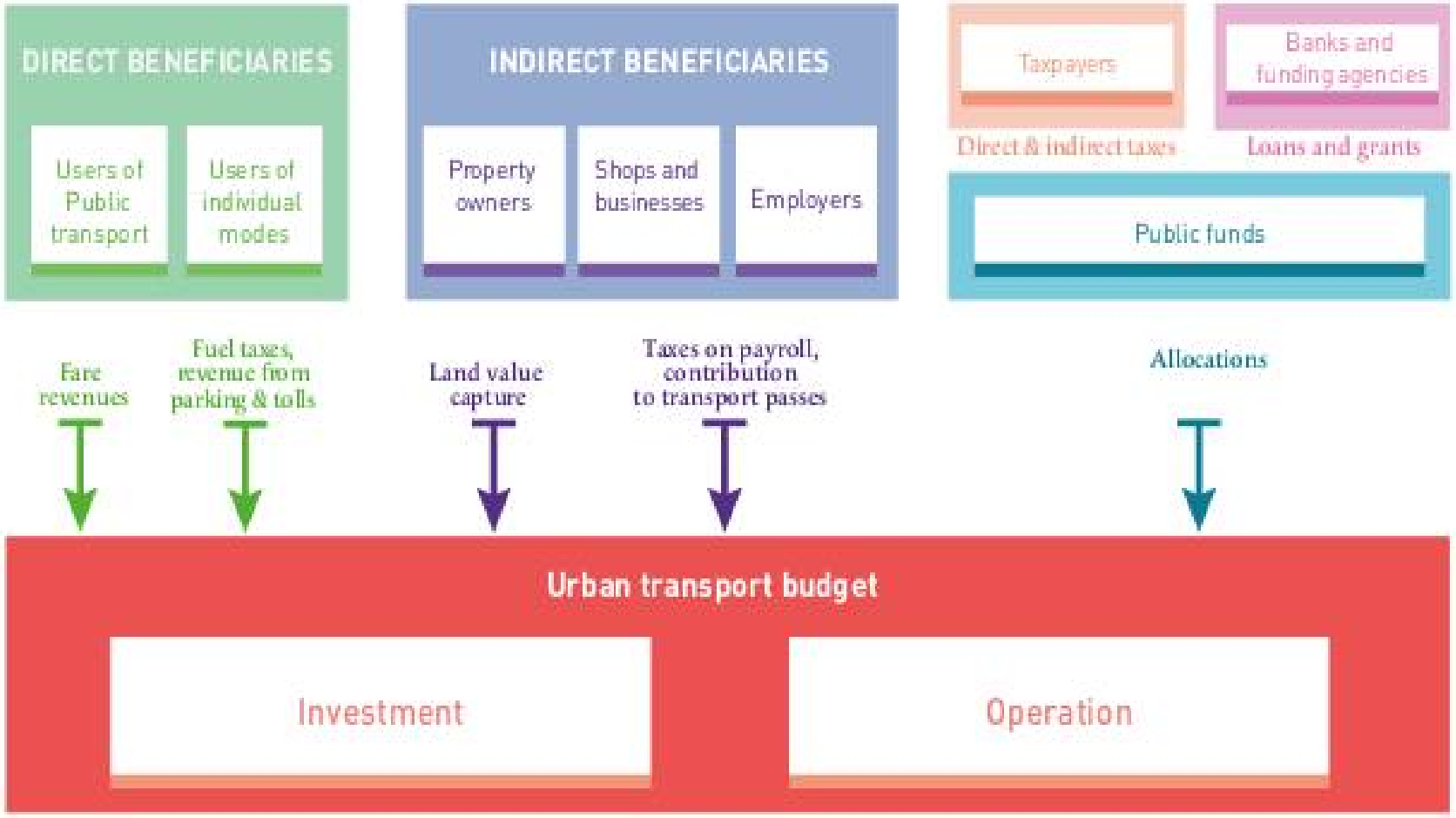


Figure 4 : Funding for public transport

A Comprehensive policy to cover operation costs...

Fare policy (monthly subscription, social fares, zones, etc.); anti-fraud actions

GDP; urban development ; car restriction policy, attractivity of urban transport network

$$\frac{\text{Fare revenues}}{\text{Expenditures}} = \frac{\frac{\text{Fare revenues}}{\text{trip}} \times \frac{\text{Trip}}{\text{inhabitant}}}{\frac{\text{costs}}{\text{Operated Km}} \times \frac{\text{operated Km}}{\text{inhabitant}}}$$

Costs per mode: investment; efficiency of operation (energy efficiency x cost of gasoline/electricity; staff efficiency x number of staff)

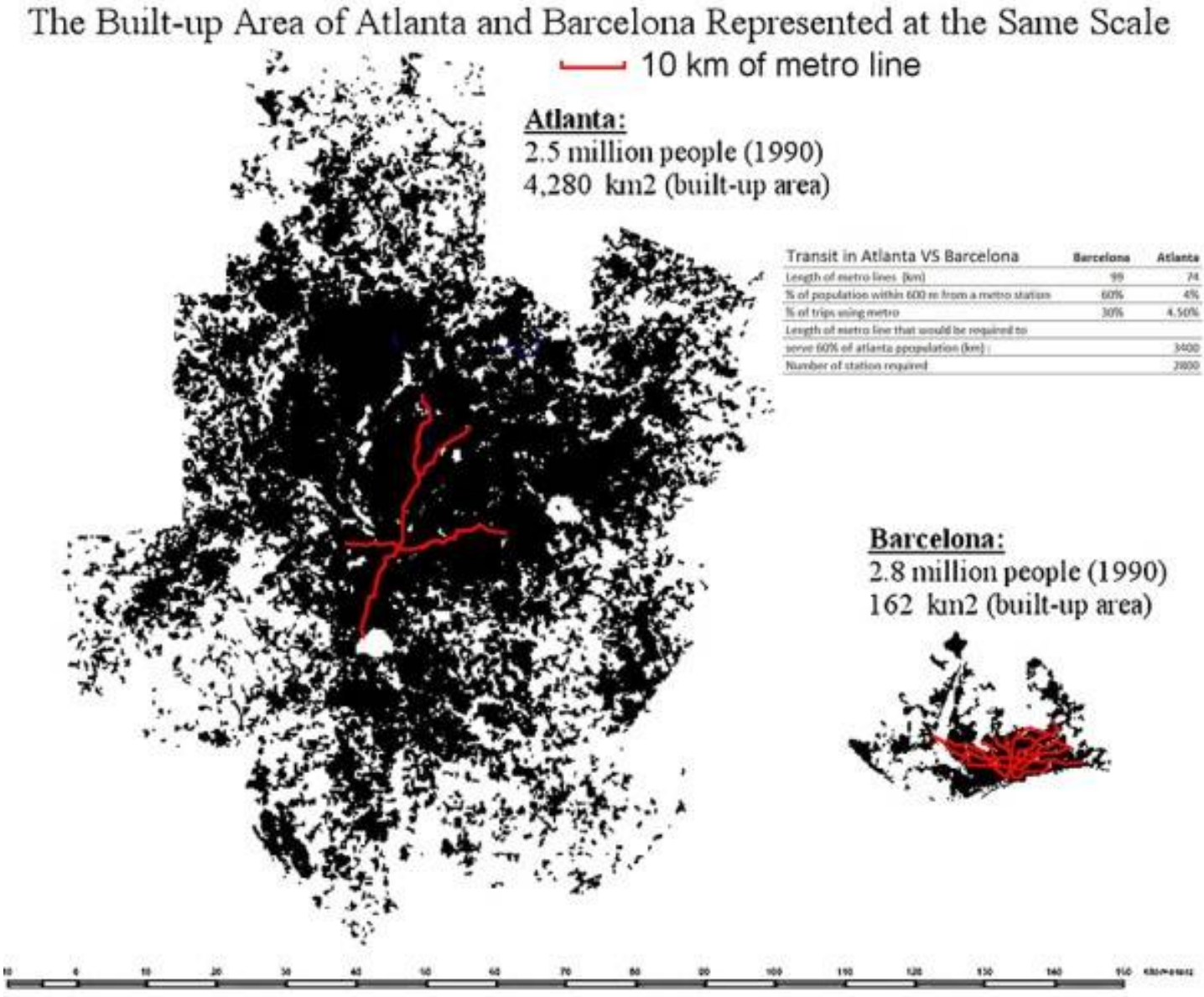
Structure of network; service frequency

How much should be invested ?

The same length of infrastructure in two cities

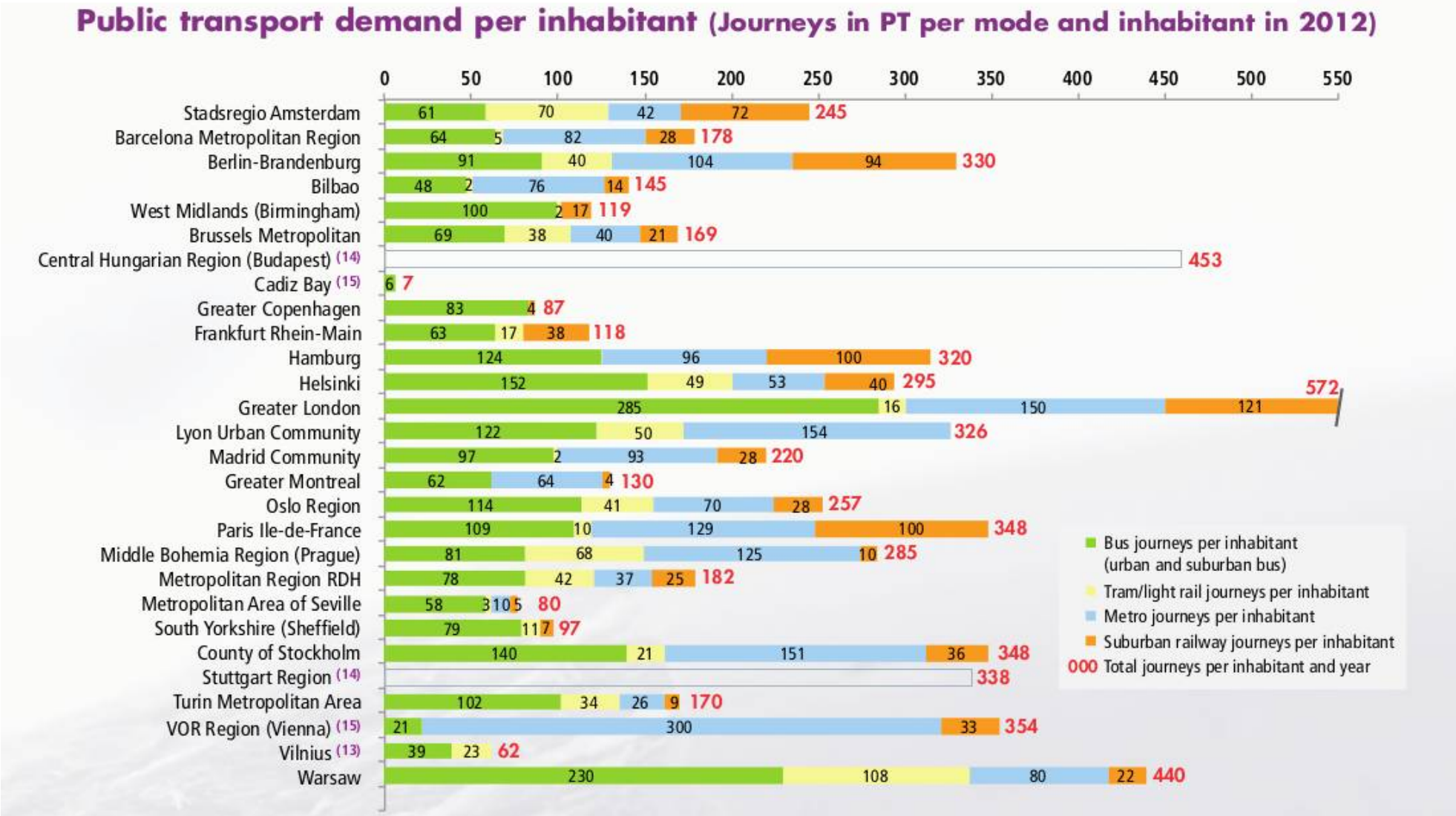
60 % of the population in Barcelona with 99 km of Metro

4 % of the population in Atlanta with 74 km of metro



How much should be fund ?

How many trips per inhabitant per year ?



1. The farebox !

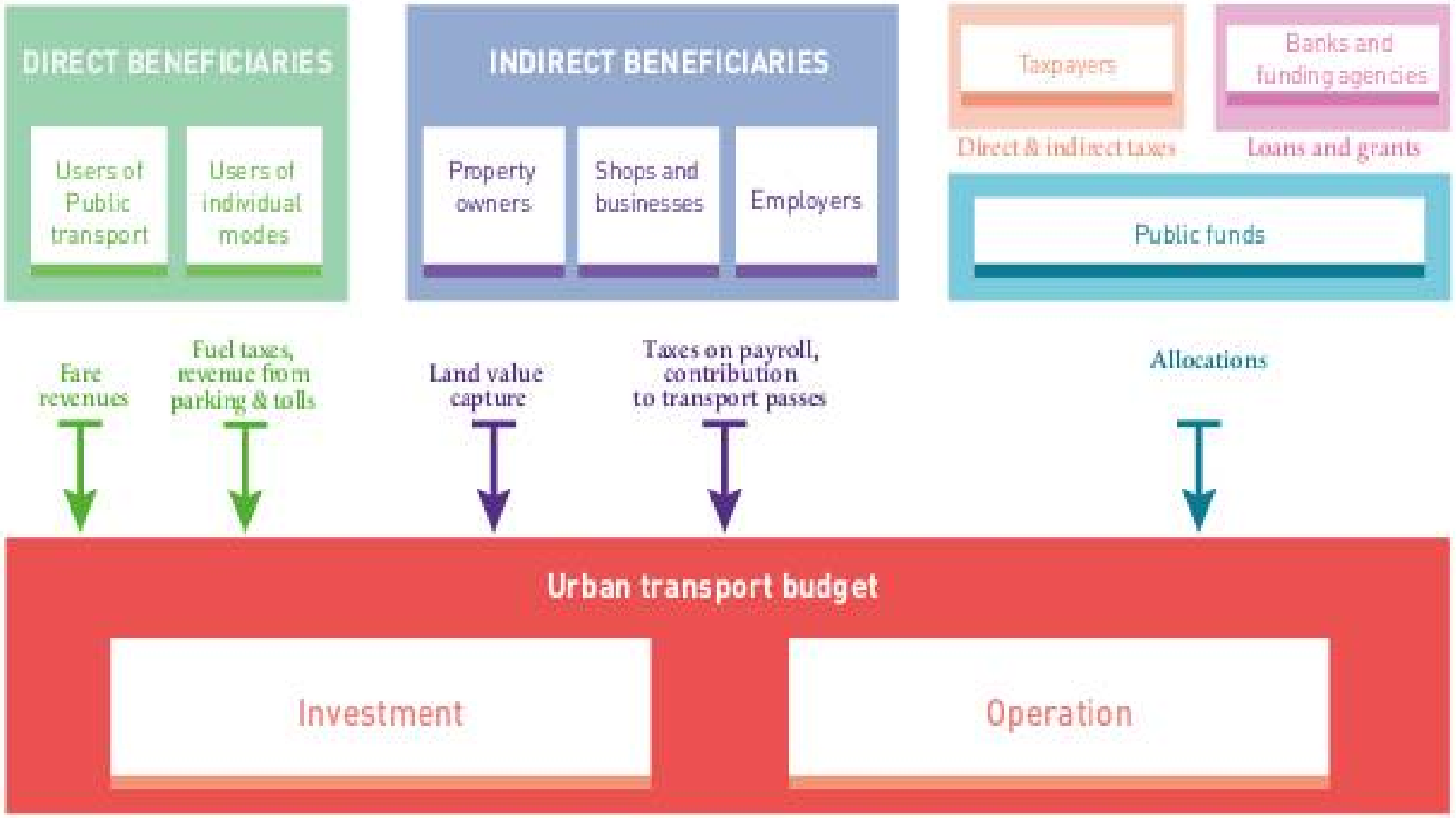
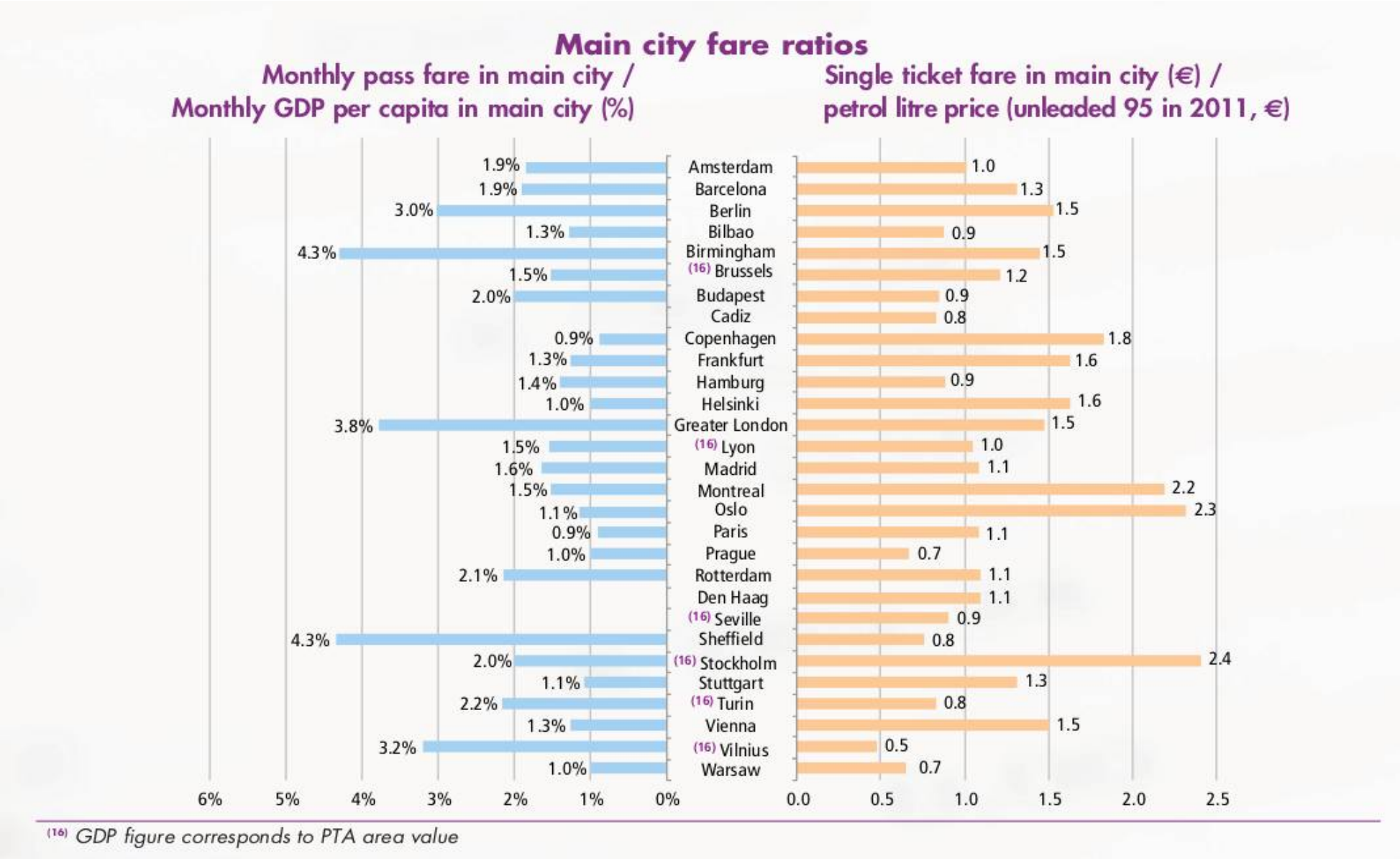


Figure 4 : Funding for public transport

Direct users: what level of tariffs?



Tariff structures: examples for discussion

Incentives to use urban transport

Tallinn (420 000 inh., **Estonia**): urban transport is free for local inhabitants and students

Social considerations

Strasbourg (450 000 inhab., France): tariff depends on household revenues

Geographical cross-subsidies: one zone (ex. **Izmir**) or tariff by zones (ex. **Jakarta**, **Paris**)?

2. Private car users: reduce trafic + increase revenue

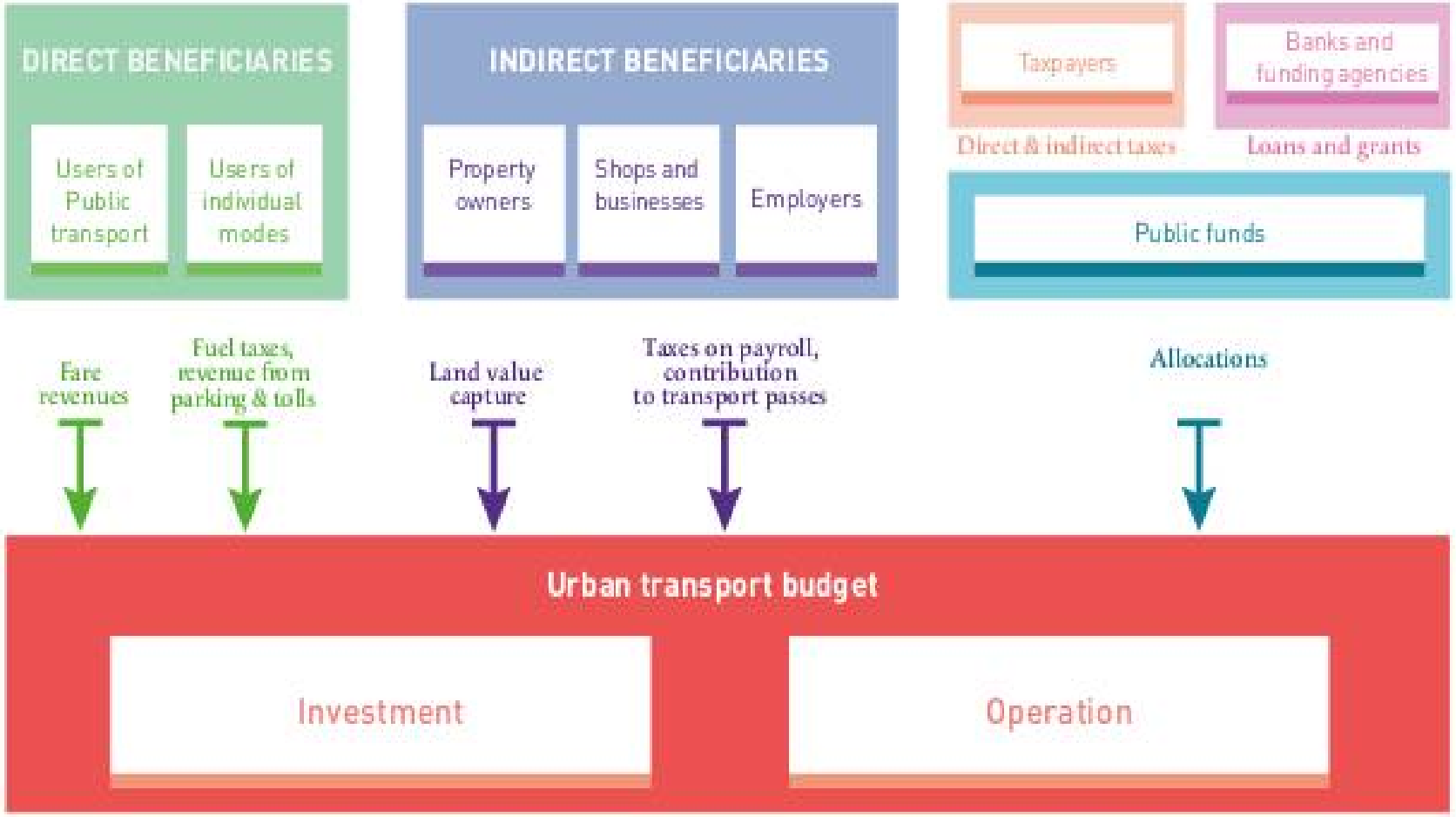


Figure 4 : Funding for public transport

Taxes on private vehicle ownership

The first objective is to limit car ownership,
hence limit congestion and future investement needs

- **Taxes** : Japan, Danemark (equal to the price)
- **Quotas**:
  - **Singapour**/ 1990 / auctions/ certificate valid for 10 years
  - **Shanghai** / 1994 / auctions / 11000 plates awarded in april 2013 / average price 10 000 € (price is caped)
  - **Beijing** / monthly lottery: 20 000 new plates/month

Fuel taxes: everywhere, but not always ear-marked for urban transport

California : 70% of fue taxes for transport – out of which 90 % for road maintenance ; 10% for collective transports

- **Colombia** : additional tax on fuel -> up to 250 M € /year ; investment of the three first Transmilenio lines was partially financed through this tax
- **Germany**: Bayern finance the rail with fue taxes transfered by federal level

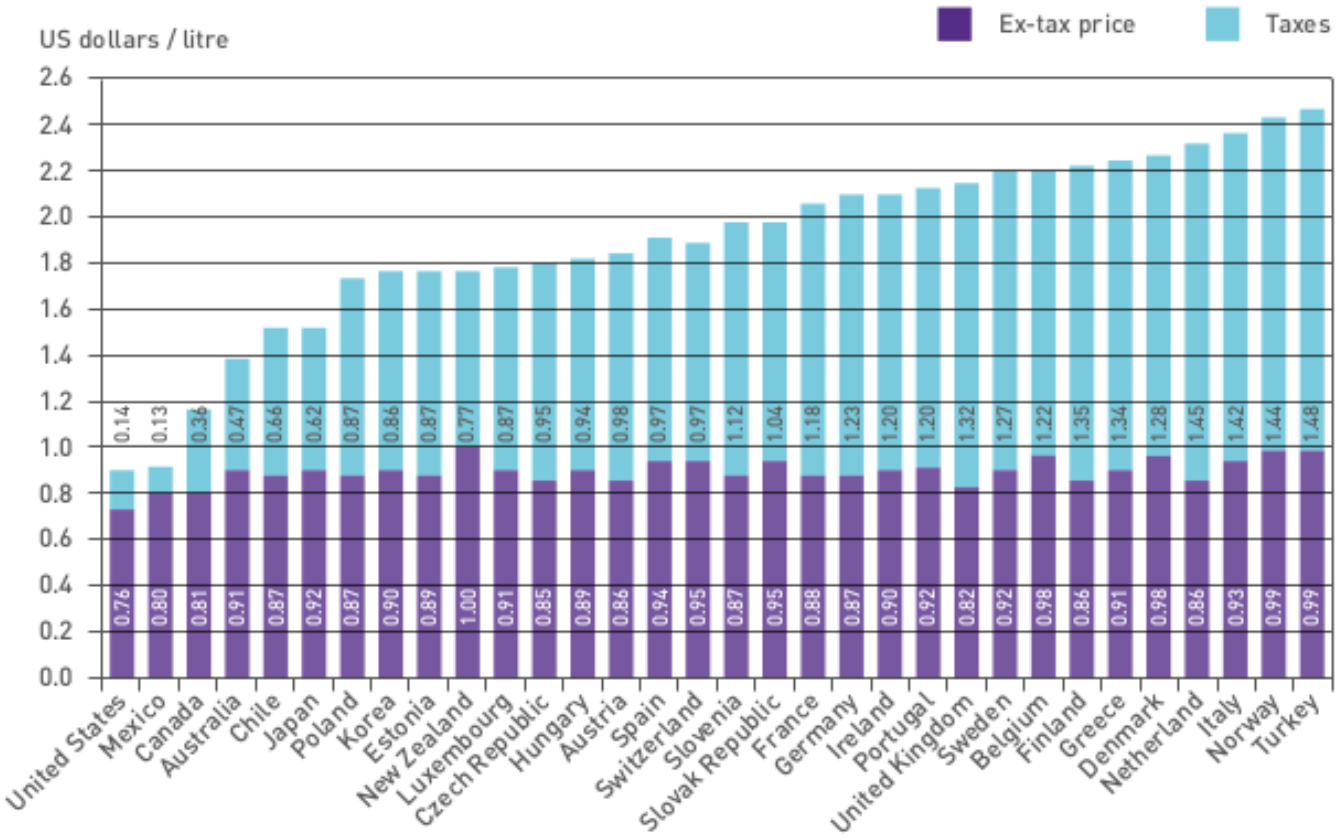


Figure 10 : Unleaded gazoline prices (1st quarter of 2014)

Urban Tolls: double benefit = funding urban transport + encouraging modal shift

- **Fund the maintenance of an infrastructure**

San Francisco bridges : about 625 MUSD in 2012, mainly for maintenance and rehabilitation

Seoul Namsan tunnels

- **Congestion charging and modal shift**

London: 160 M € of net revenues for TfL

Singapour : 57 M € of net revenues, non ear-marked for transport

Parking fees and fines: also two functions

San Francisco (4,5 inhab., USA) 263 M USD in 2012, i.e. 1/3 of San Francisco Municipal Transport Authority budget

Nantes (0,4 M. inhab., France) 4,5 M € net revenues / year

Sydney, Perth and Melbourne (Australia): 74 M € revenues in 2010-11

Nottingham (0,7 M. inhab.,England) : *workplace levy* – 16 M € /year

3. Indirect beneficiaries: employers' contribution

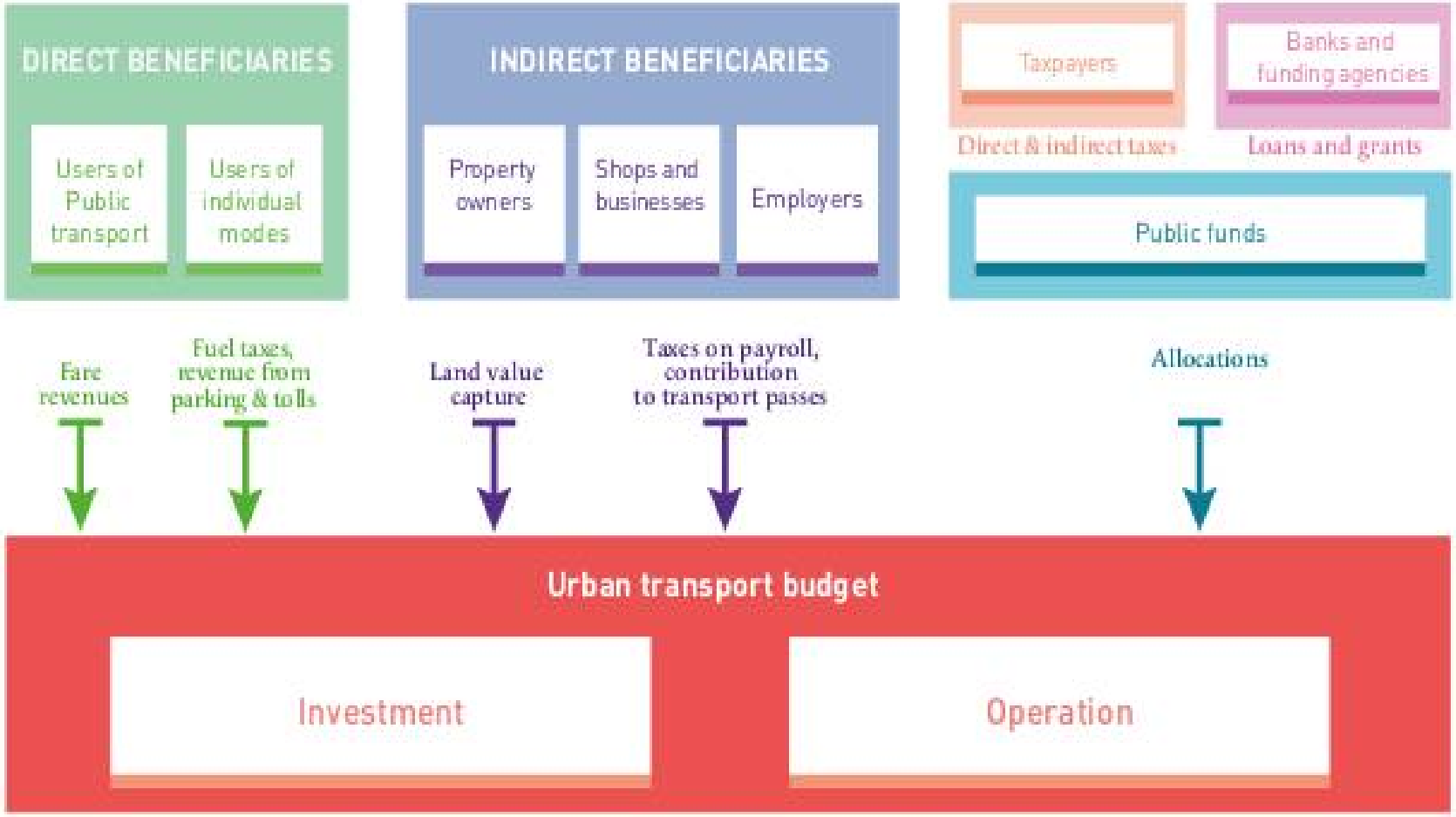


Figure 4 : Funding for public transport

Employers' contributions : Mandatory tax based on pay roll

France: the « **Versement transport** » covers about 40% of O&M costs of collective urban transport

- since 1970, for entreprises over 9 employees,
- 1 to 2 % of payroll, ie 6 to 7 billions €/year

Figure 15 : Lyon Transport Authority (SYTRAL)'s income : 761,1 M€ (2013)[8]

Employers' contributions :
direct financial support for employees

Brazil: the « **Vale Transporte** » benefits to 40 % of collective transport users if fares exceeds 6% of their salary

The employer buys public transport vouchers from the transport authority and tops-up the employee's electronic transit pass.

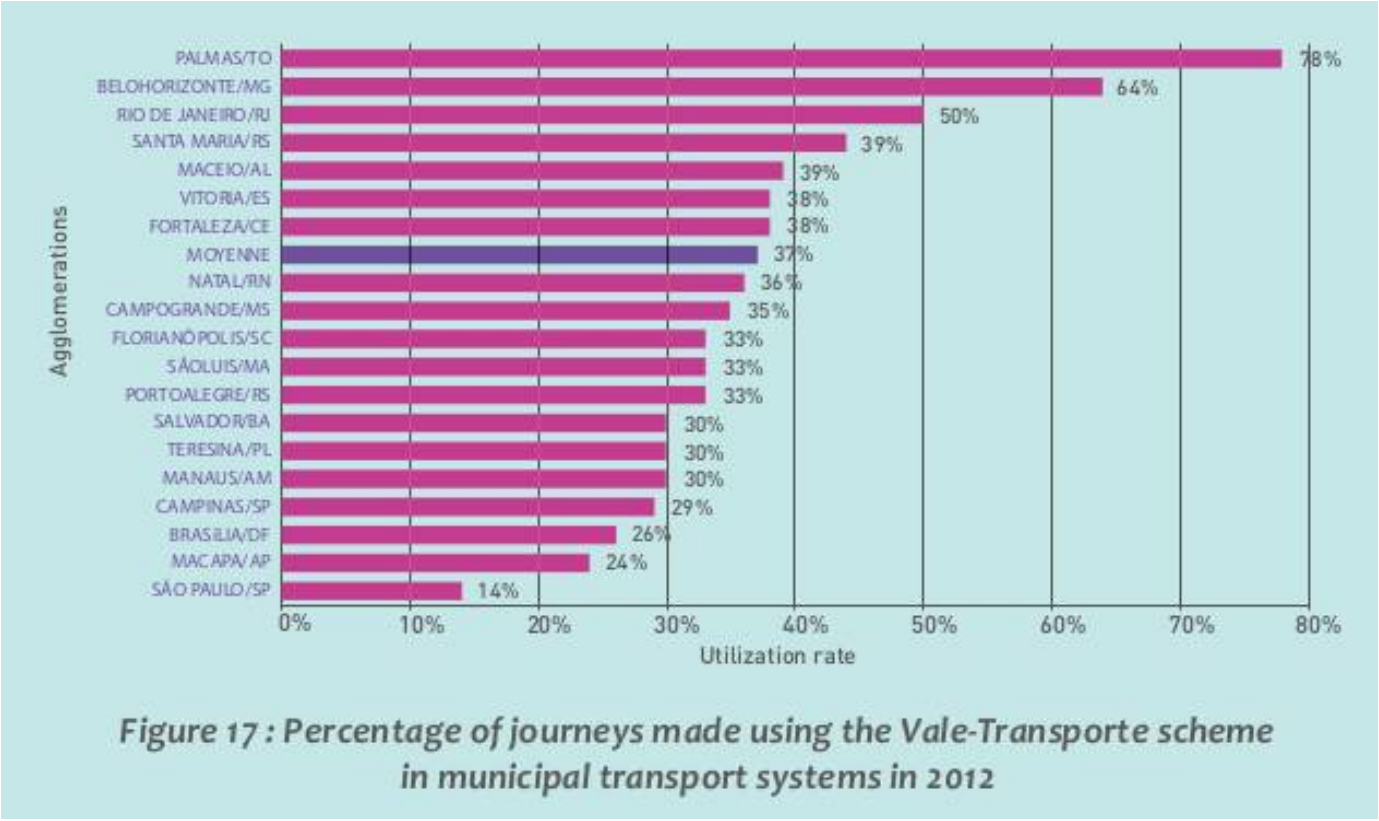


Figure 17 : Percentage of journeys made using the Vale-Transporte scheme in municipal transport systems in 2012

4. Indirect beneficiaries: property owners' contribution

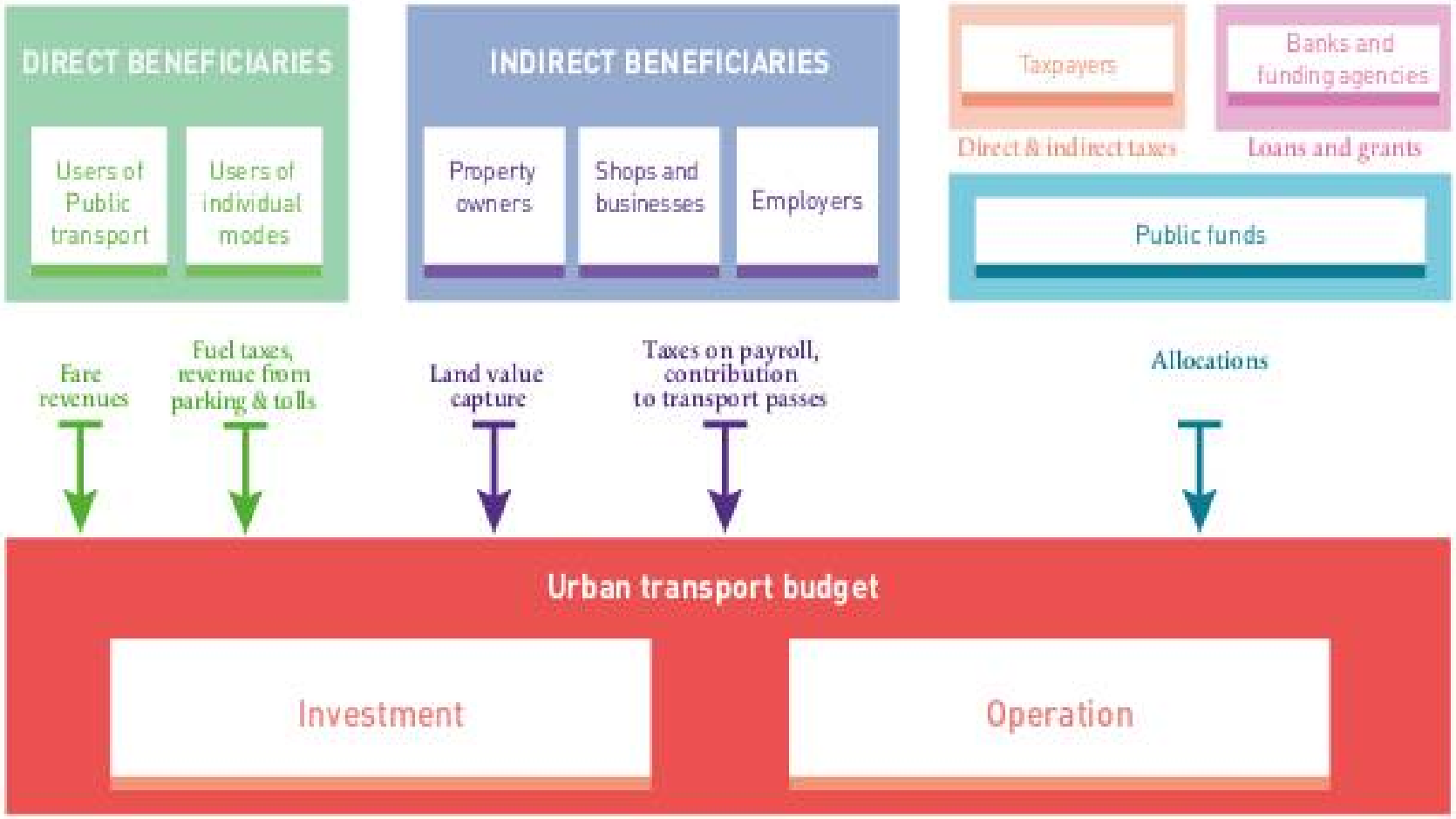


Figure 4 : Funding for public transport

Land value capture for extensions:
reselling land for new urban developments

Aguas Claras in Brazil (a « new city » close to Brasilia, 2,8 M inhab.): 85 % of the metro costs have been covered by the selling of land – ie nearly 500 M €. Today 135 OOO inhab.

Copenhagen (2 M inhab., Danemark) and Orestad neighboorhood: €850 million, 60 % of metro investment has been covered by the reselling of lands and land taxes – although with some difficulties because of the crisis and cost overruns

Land value capture : making property developers pay through taxes around new stations in urbanized areas (win-win)

Dublin (Ireland) tramway: an additional tax for « land added value » (between 250 and 600 000 €/ha), has been used to finance investment.

Transit Oriented Development: new constructions generate new fiscal revenues, ear-marked for a transport investment

San Francisco: « Transit Impact Development Fees » created in 1981 for any new business building (adapted in 2012) – 1,4 Bn USD over 20 years

Land value capture for extensions:
reselling rights to build for densification

Ceritificates of Potential Additional Construction rights (CEPAC) in Brazil:
to increase the land occupancy coefficients

Aguas Espraiada :
about 375 M € have been « collected » through the selling of CEPAC - out of which 160 M € for transport (metro and BRT)

Integration of transport and « real estate » or commercial activities

The case of Hong Kong MRT

1/ Property transactions around stations and depots

2/ Selling or renting of residential or commercial buildings: the management of a « portfolio » of 13 malls, 90 000 housing units, 5 commercial buildings cross-subsidizes transport activities

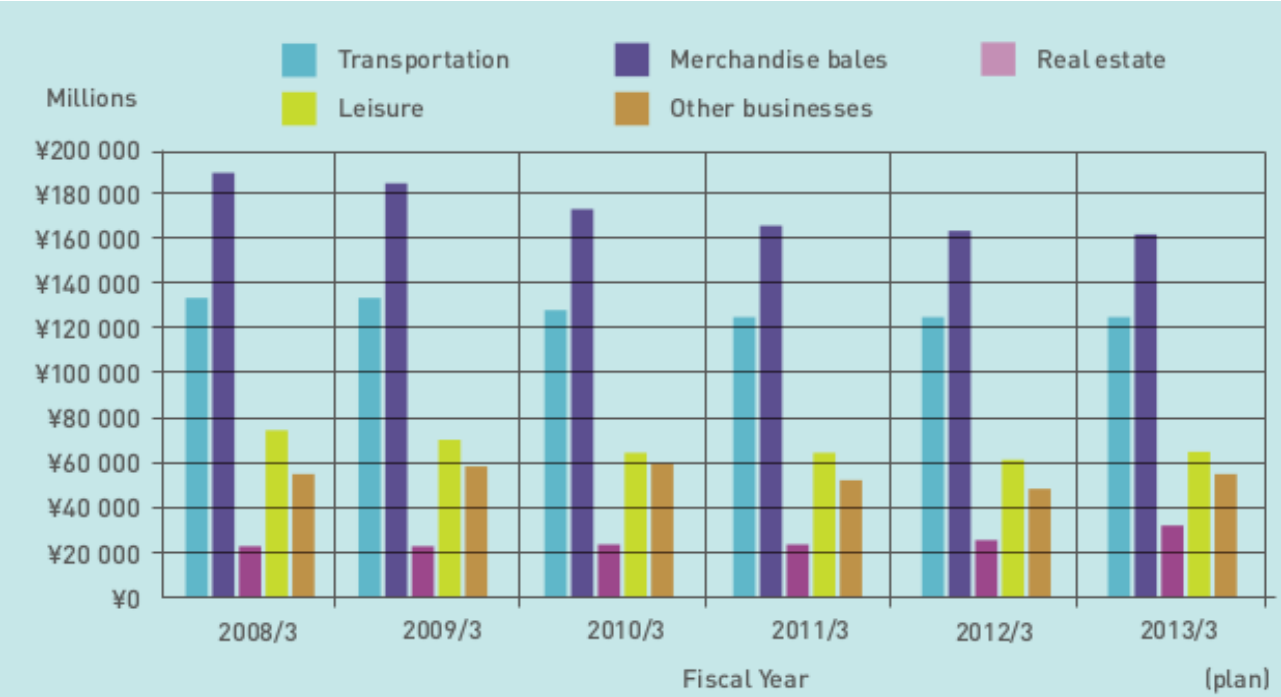


Figure 20 : Operating income of Keio in 2012

Japan Railway companies

25 % of their revenues is coming from commercial activities managed within the stations

Conclusion : do the right mix !

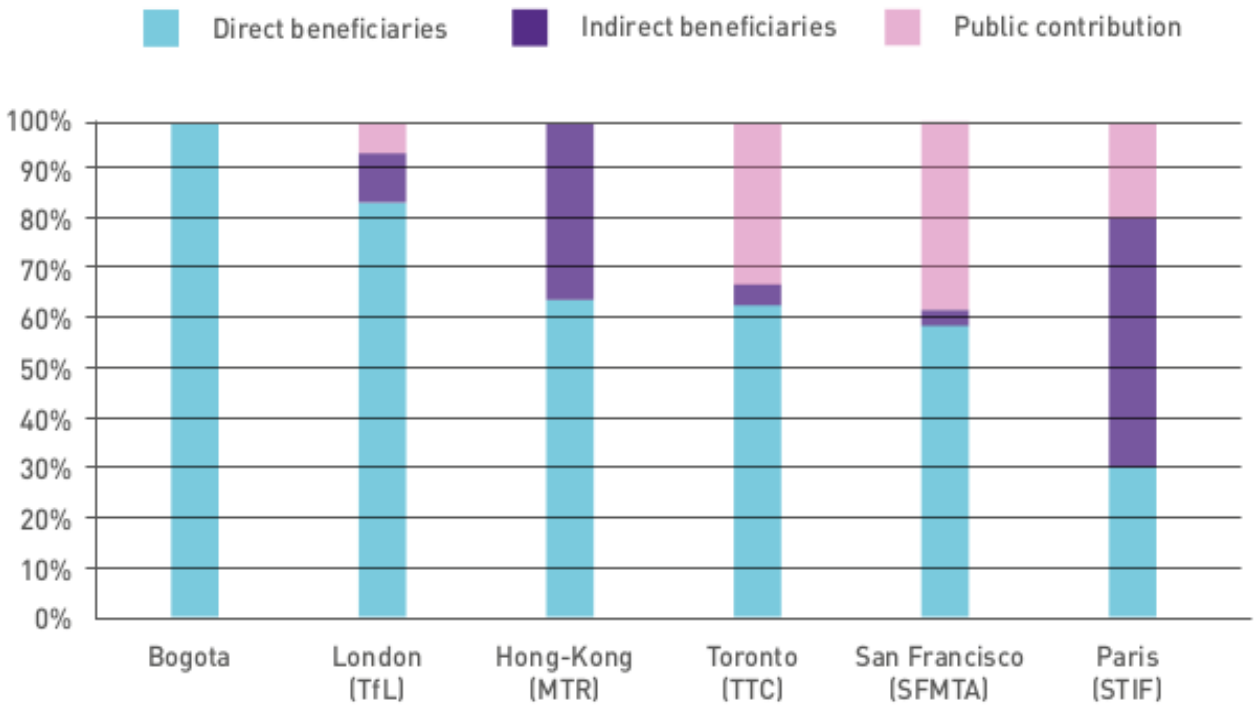


Figure 27: Different funding arrangements for operations in 2012

Toronto : 1,146 M€
SFMTA : 568 M€
STIF : 8,608 M€
TFL : 4,181 M€
LTA : 444 M€
MTR : 2,157 M€

3 kind of actions :
Cost reduction + Optimised revenues + Additional revenues

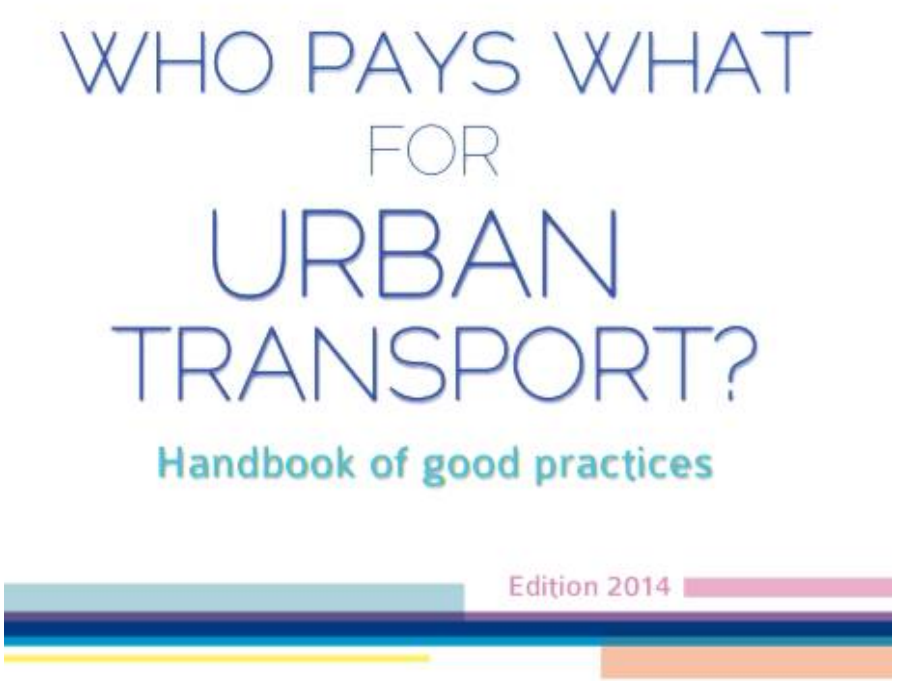
Many options !

Available online on codatu.org
in French, English, Spanish and Turkish

Hard copies also available
in AFD agencies

For more information...
Or other examples to add !

jallaire[a]codatu.org



5. Others: climate funds?

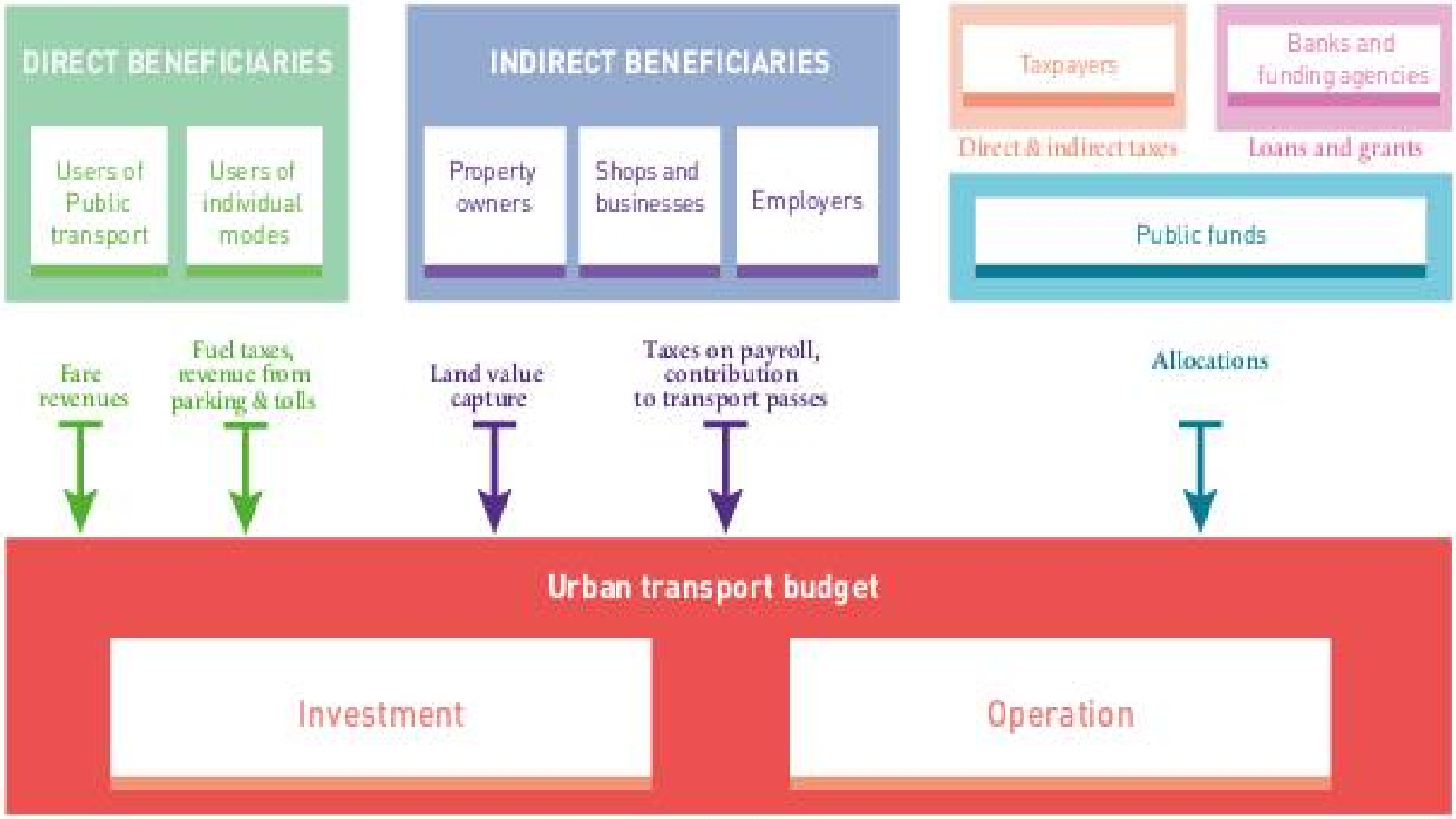


Figure 4 : Funding for public transport

What is next after CDM ?

Clean Development Mechanisms
➤ Not appropriate to fund transport projects.

NAMAs ?

Climate funds : Global Environment Facility, Clean Technology Fund, Green Climate Fund …

Hope to see you during the next CODATU Conference ?