UITP ADVANCING PUBLIC TRANSPORT

CHALLENGES OF PUBLIC TRANSPORT

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FUNDING AND FINANCING CHALLENGES

Higher demand on capacity and quality of PT:

- Increasing urban demographics
- Ageing population
- Broad agreement of PT on environmental and social issues
- New technological possibilites and customer demand

Need for investment in capacity and quality improvement for public transport

FUNDING AND FINANCING CHALLENGES

Public finance constraint and investment gap:

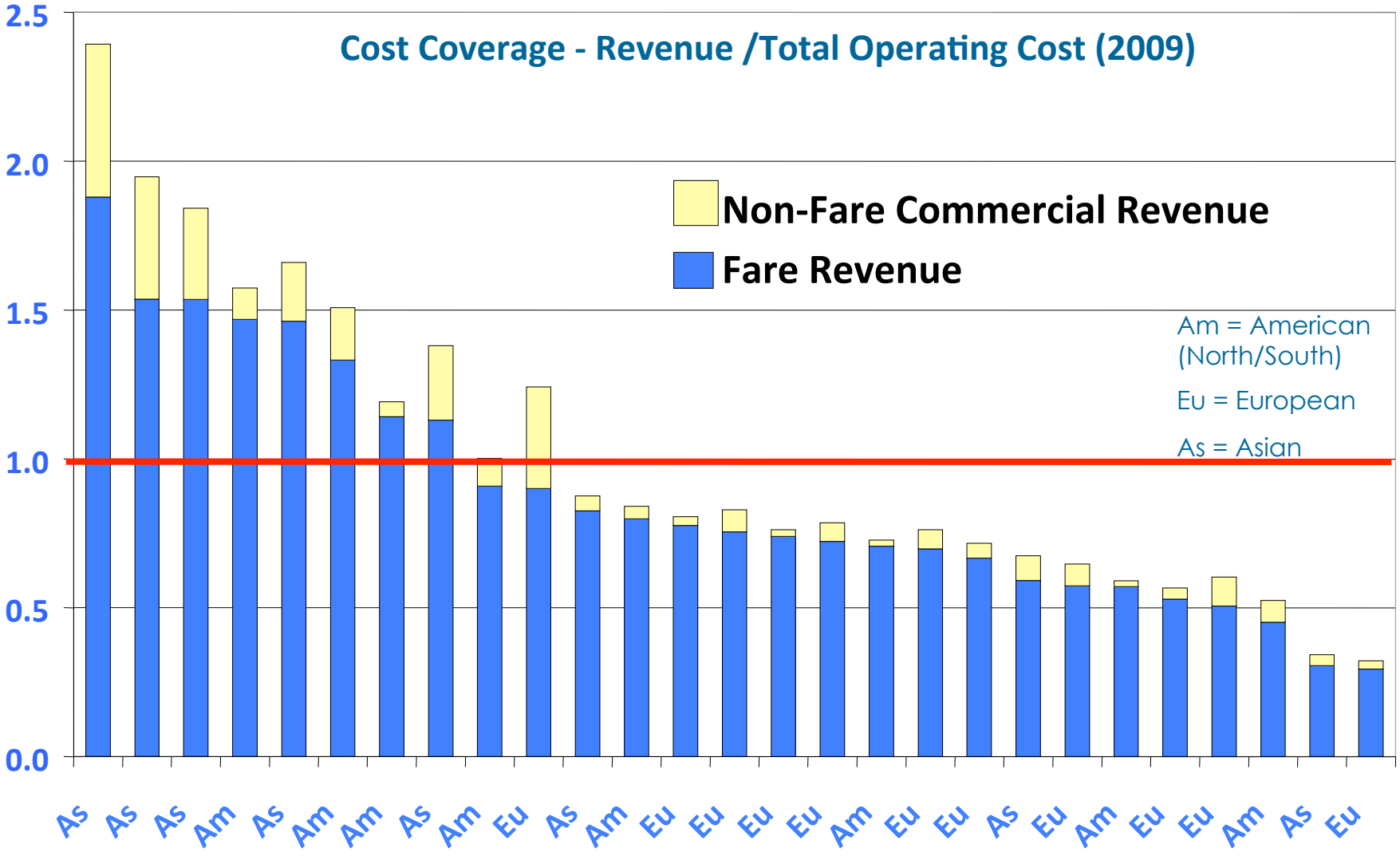
- Financial crisis of 2008 putting pressure on public finance
- Contributions to PT operational budgets have been cut in several southern countries
- Public sector debt has limited investment and led to investment gap

Need to find new funding sources for operations and investments

UPCOMING CHANGES IN PUBLIC TRANSPORT

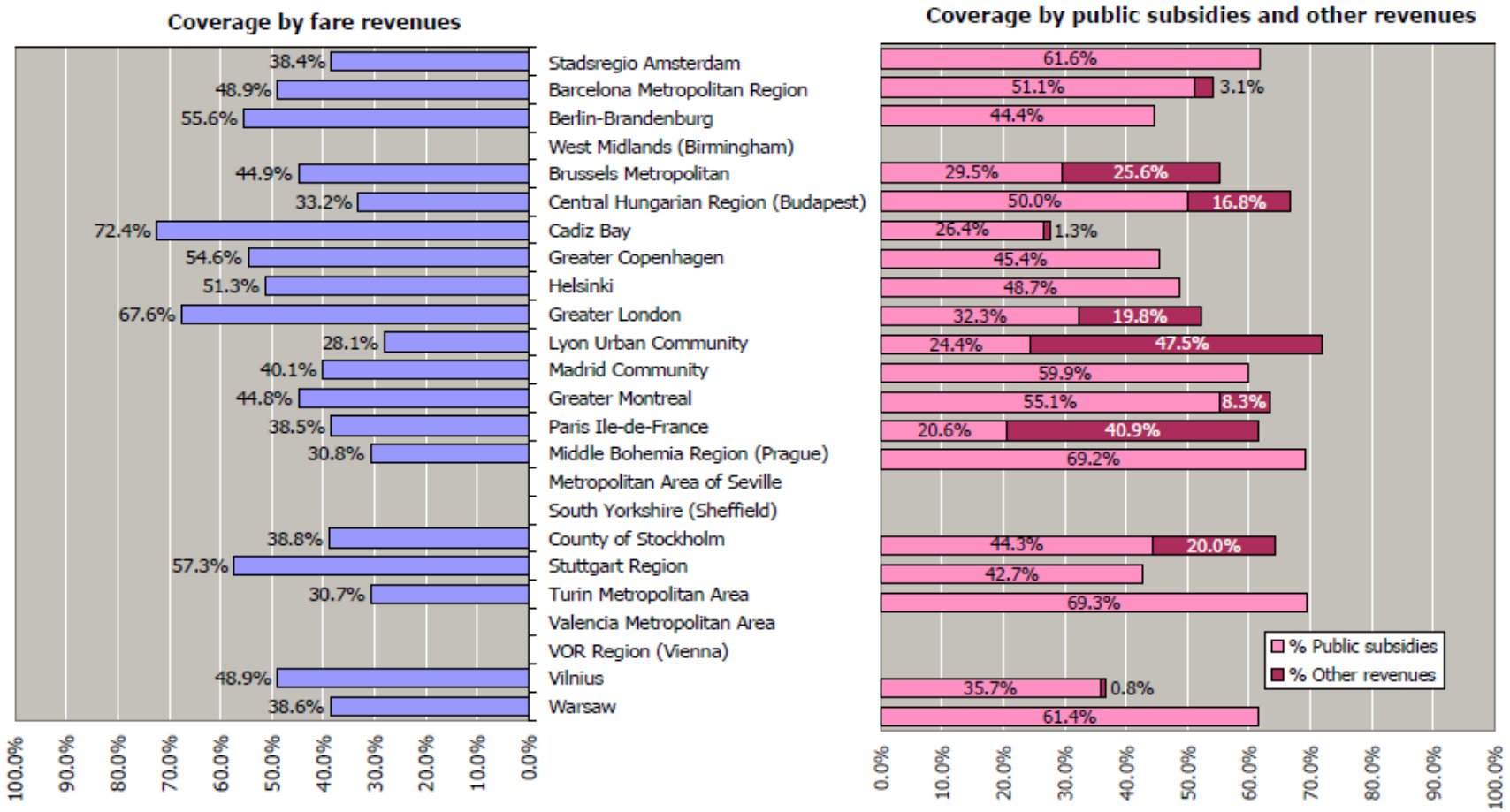
In spite the economic outlook cities have began ambitious projects to cater for expected needs of cities

FAREBOX DOES NOT COVER OPEX



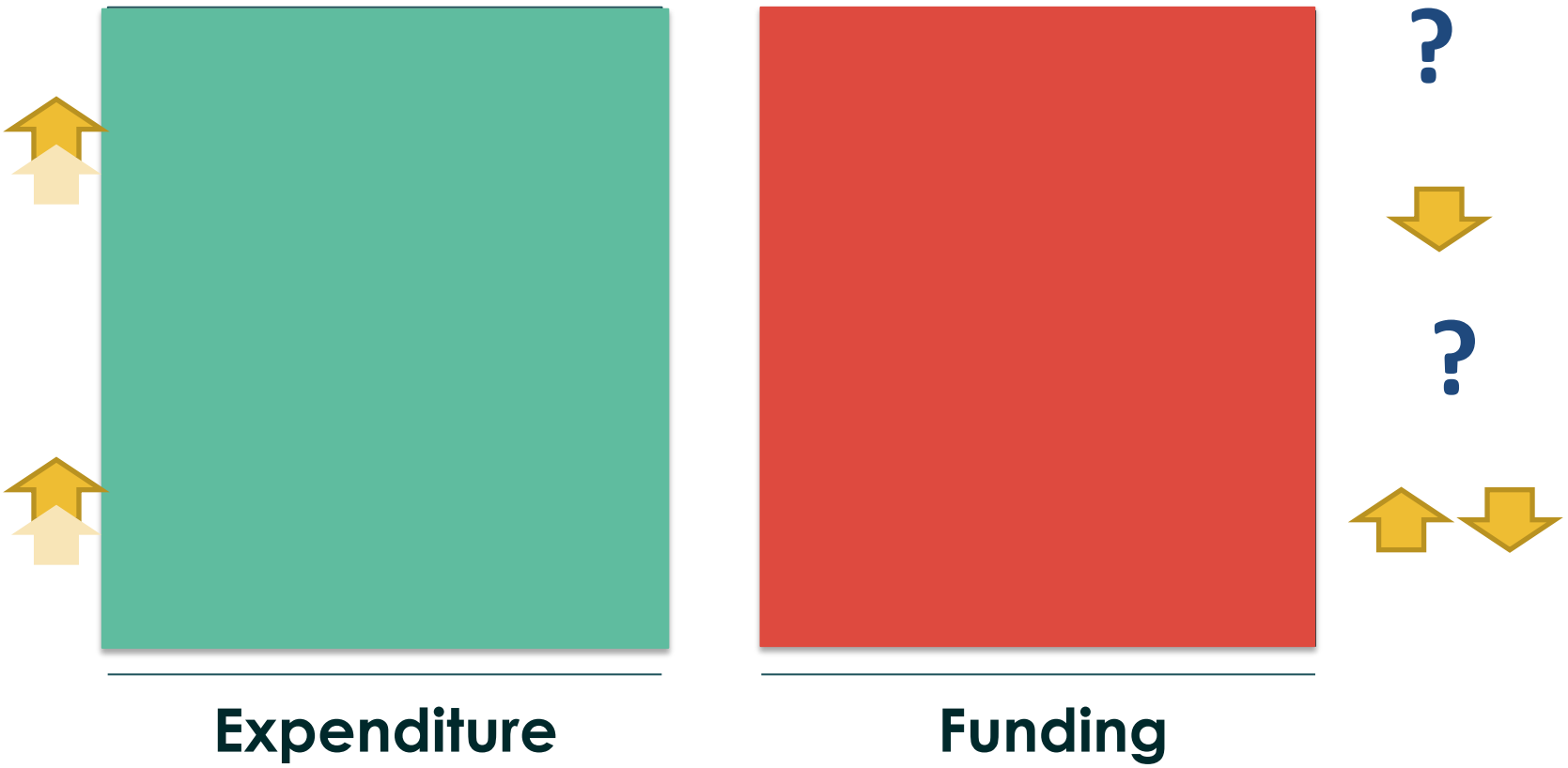
Source: Imperial College London

COVERAGE RATE FARE AND OTHER REVENUES



EMTA 2012

FUNDING BREAKDOWN



OPTIMISING FARE REVENUES

Main challenge: reconciling different objectives of authorities, operators and customers

Better quality and higher fares → more customers

Fare regulation and adjustments are deemed desirable:

1. Generating sufficient margins
2. Transparent and dependable income

EMTA assesses that the fare revenues coverage of OPEX is on average 45.5%.

REVENUE MANAGEMENT

Providing the **right service** to the **right customer** at the **right time** (price discrimination, market segmentation)

- Common in many sectors/industrues
- Potential cost reduction and revenue increase
- Facilitated by automated fare collections

Possibilities for transport: time of day pricing, distance based pricing, premium services, loyalty schemes, etc…

Tensions between Revenue Management and Fare Integration

COMMERCIAL REVENUES

Providing means to increase both revenues and margins based on **assets** and **know how.**

Best examples show a contribution of non-fare to company revenues up to 20-25%, but a much higher contribution to total margins.

Undervalue of assets and long term impact may affect the initial investments to promote commercial revenues

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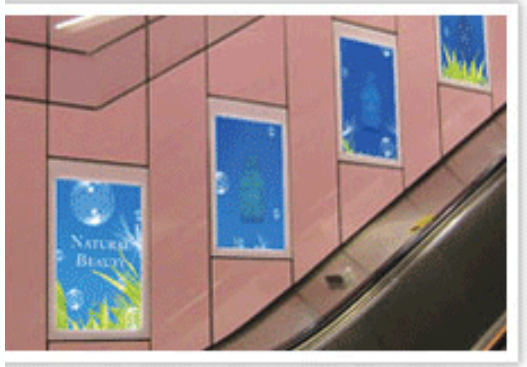

Digital ads in Hong Kong

Pepsi ad in London (Jun 2013)

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G 尖東站(廣地道)
East Tsim Sha Tsui Station (Mody Road)

SUBWAY

LOCAL REVENUES FOR PUBLIC TRANSPORT

1. Increased **calls for devolution** enabling the active participation of direct or indirect beneficiaries (Europe and US)

2. New trends focusing **on parking policies and payroll taxes** have shifted the attention from congestion charging

3. Interest in including **indirect beneficiaries** in the contributions for transport infrastructure (Business Supplement Rate)

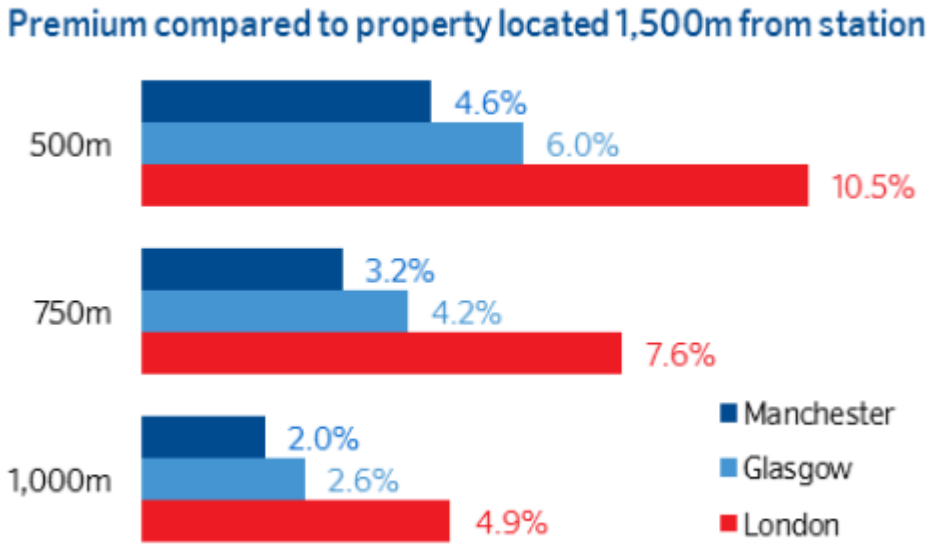
EMPLOYERS AND BUSINESSES

Since 1973, the tax **Versement Transport** was levied on the total gross salaries of all employees of companies of more than nine employees.

- The rate is established through pre-defined criteria (eg. population).
- It ranges from 2.7% in Paris to 0.9% in localities with fewer than 100,000 inhabitants.

In 2010 this **tax financed nearly 40% of the operational cost** for the public transport network in Ile-de-France.

LAND VALUE FOR PUBLIC TRANSPORT



"London has the densest network of stations and services, with 94% of properties within 1.5km of a station, compared with 72% in Greater Glasgow and 69% in Greater Manchester." (Nationwide 2014)

Land value capture consist of an aggregation of tools, where the most popular are:

→ **Betterment taxes** (London)
→ **Tax Increment Finance** (Chicago)
→ **Joint Development** (Copenhagen)

USING LAND FOR INFRASTRUCTURE

A **betterment tax** is a **tax on the land value added by public investments.** It targets beneficiaries of improved accessibility, lower congestion and lower transport costs due to public investments.

Crossrail 1:

A special increase in business property tax levied since 2011 for the next 24 years on all businesses in Greater London. This is projected to create a **fresh revenue stream of £4.1bn of a total of £16bn for the new line.**

The estimated supplement is 2p per £1of rateable value, exempting the businesses with a rateable value of £50,000 or less.

ENABLING THE ROLE OF STAKEHOLDERS

All parties have a specific role in the management and promotion of Public Transport at the local level:

Operators	→ Fares and commercial approach
Local Government	→ Earmarked revenues
National Government	→ Supporting local authorities and infrastructure investment

Promoting leadership, clarify ownership of tasks and the necessary preconditions is required to **enable a positive dynamic** in the public transport sector.

ROLE OF OPERATORS

More flexibility for operators should be provided and tools to encourage ridership through positive actions, such as:

1. Promote **marketing actions** to ensure a strong customer base and promoting ridership

2. Developing **non-fare revenues** from:
   - ❖ Better exploitation of assets
   - ❖ Maximisation of value of customer's portfolio
   - ❖ Exploitation of know-how

ROLE OF LOCAL AND REGIONAL AUTHORITIES

Local Authorities and Regional Authorities should contribute to the funding of Public Transport through the creation of local funding sources.

Elaboration of suitable **Revenue Strategies** applying the most appropriate tool in their context

Requesting the participation of **direct and indirect beneficiaries**:

- Versement Transport (France)
- Workplace Parking Levy (Nottingham)
- Road Tolls (Oslo)

Harness the **benefits produced from transport investments**:

- Betterment tax (Crossrail, London)
- Joint Development (Copenhagen)

ROLE OF NATIONAL GOVERMENT

National governments ought to promote leadership and innovation through support of Transport Authorities and suitable frameworks for the operators.

Within their roles:

- Develop **long term policies** to link mobility and growth
- Promotion suitable foundations for a healthy public transport system by **investing in infrastructure**
- Providing a suitable framework for local/regional authorities and operators to strive through **increased room of action and flexibility**.

WHAT IS RESILIENCE?

There is **no silver bullet**, in a context of constrained available public funding, it is required:

- Cost effective service delivery
- Fares which reflect the quality expected by customers
- Development of other commercial revenue
- Creation of earmarking funding sources from indirect beneficiaries

Ensuring a financially sound system enabling the longevity of the system and its capacity to resist to external shocks.

THANK YOU!