URBAN TRANSPORT FINANCING SYSTEM & URBAN QUALITY OF LIFE

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Urban Transport Financing System: a major concern for AFD and its partners

- AFD finances many urban transport programs in South America (Brazil, Colombia...), Mediterranean (Morocco, Tunisia, Egypt, Jordania, Turkey...) Africa (Nigeria, Ghana, Mauritius...) and Asia (India, China, Vietnam...), when possible in cofinancing with WB, EIB, ADB, CAF...

- AFD and MEEDDM, together with CODATU, CERTU, SYSTRA and various consultants have carried out a study in November 2009 dealing with: «Good financing practices for urban transport: who pays for what?»
¿Quién paga qué en materia de transportes urbanos?

Guía de buenas prácticas

Handbook available in spanish, english and french

Soon in vietnamese

Downloadable on www.codatu.org
Can be delivered soon in hard copies in Argentina
Key findings of the AFD-MEEDDM urban transport financing system handbook?

How far « Good urban financing financing practices » can improve urban quality of live?
KEY FINDINGS (1)

Passengers fares and tax incomes cannot face the urban transport crisis

Urbanization, motorization, congestion, pollution...

Financing needs are growing faster and faster, reaching about 2% of GDP in many countries, particularly to develop mass transit systems

- Passengers fares and tax incomes cannot rise as fast as financing needs, that can require several USD billions every decade in any large city

- Other sustainable financing sources are necessary: many cities have successfully experimented new good practices
KEY FINDINGS (2)

- Sustainable financing systems are possible, that ALL involve the « indirect beneficiaries of mass public transport »

- The most efficient and sustainable urban transport financing systems have all mobilized new channels dealing with the « indirect beneficiaries of mass public transport », notably:
  - Employers
  - Residents and activities close-by
  - Private cars users

- Three remarkable examples:
  - Curitiba (BRT system)
  - Hong-Kong (MRT system)
  - San Francisco (multimodal transport system)
KEY FINDINGS (3)

- Good practices of Employers' taxation

**CURITIBA, Brazil**

- Subsidies to public transport system are not allowed by law: average fares should be determined at the profitability level, ie 110% of costs as taking account of social fares (students..)

- Employer's contribution (vale transport) introduced by law in 1998: employers should take in charge public transport costs beyond 6% of employee's wages

- Half-fare for everybody on sundays (ie off-peak day) as shops are open

- System unic in the world, that combines strict economical principles (no subsidies) and savvy social concerns (many poor people cannot afford high fares)

- Different from french « Versement transport », another type of employers' taxation that is dedicated to Public Transport Authority
KEY FINDINGS (4)

Good practices of Land value capture

HONG-KONG, China

The MTR network (mass transit railway) has been developed together with urban development through joint ventures between MRT and private developers. This metro network is the most profitable in the world and has been introduced in stock exchange. « Profitable » metro networks are very few in the world: Hong-Kong, Tokyo, Taipei, Singapore, Delhi... they have all « capture » land value as assets.

Other land value capture cases have been developed in Brasília and in Istanbul on urban sites entirely public, that was much easier, nevertheless risky, with good results: about 3/4 of investments costs have been paid back.

Following Copenhagen case is similar to Hong Kong case, except it involves only public partners (Special Purpose Vehicle SPV owned by Town + State)
Copenhagen

- Développement simultané du quartier déshérité d’Orestad et d’une ligne de métro, par une société ad hoc Ville – Etat

Un financement en plusieurs étapes :
- 1,7 Mds euros
- Emprunt garanti par l’État
- Revente des terrains aménagés (50%)
- Recettes d’exploitation
- Taxes foncières sur les terrains nouvellement bâtis en partie reversées au profit du métro
KEY FINDINGS (5)
- Good practices of Tax transfer from individual to collective modes

**SAN FRANCISCO, USA**

- Additional Taxes on parking fares and on bridge tolls are dedicated to public transport development through the SF Public Transport Authority
- A part of fuel taxes is also dedicated to public transport sector
- The SF public transport system combines MRT, LRT, BRT, Trolleys, Buses... in a multimodal integrated system whose development is partly financed by private cars users.
- Such a transfer can be politically justified (solidarity between SF Bay peoples and between young-adult-senior peoples) but also economically : Public Transport provide positive externalities to Private Transport (no private transport will be possible without public transport!)
KEY FINDINGS (6)

- For a financing MIX suitable to each city

- Many other cases are analysed by the study, that are
  - More or less financially efficient
  - More or less easy to implement

- All possible urban transport financing modes and channels are presented, as they are really set up, in real situation. This includes PPP and Carbon financing schemes.

- AFD strongly recommend you this handbook, and its final finding: a financing MIX should be carried out in each city, to be suitable to this particular city, according to the local and national context and culture
How far « Good financing practices » can improve urban quality of live ?

- YES, generally speaking, as they allow to radically develop public transport and ecological-friendly modes in cities
- YES, specifically speaking, concerning at least thee particular aspects of urban quality of life...
- In all cases, provided to « take things by the right beginning »
1 - « Lever effect »
to radically develop
high quality public transport networks

Sustainable funding allows a « lever effect » for development...
For instance, the Versement Transport in France, since 1971

- From 1950 to 1970, Tramways networks have been dismantled in 47 french towns (except St-Etienne) to give room to private cars (and profit to car industries...)

- Only Paris (metro) and St Etienne (tramway) have kept a « système de transport collectif sur site propre », contrary to Switzerland and Austria...

- 1971 Law to introduce a Versement Transport, employers' taxation based on the amount of wages of firms with more than 9 employees ; the VT is paid to the local Public Transport Authority

- Other laws (national transport system, décentralization, Clean air...) and regulations (mobility plans, design competitions...) to favour a comprehensive urban strategy

- Since then : Nantes, Grenoble, Strasbourg, Montpellier... In 2010 thirty french towns will have a metro and/or a tramway network thanks to the « VT lever effect »
2 – A selective regulation of individual, logistician or eco-friendly modes in « cœurs de ville »

Intelligent parking fares or traffic tolls allow to selectively regulate flows of vehicles of all kinds or of any purpose

- Short period vs long period car parking
- Delivery vehicles vs private cars
- High carbon emission vehicle vs low..., etc.

- Implementation can be progressive on the ground (coeur de ville vs peripheral areas) and in the time-schedule (to allow experimentation and to give time to social consensus)
- New high technologies bring new opportunities, notably to simplify selective fares collection
- Such regulation can limit financial incomes and may displease private interests such as private parks operators....
- An sufficient alternative public transport network is essential, as well as a savvy political approach taking account of all involved parts.
3 – The spreading of public transport peak flows

A social but also a financial concern: overcrowded public transport at peak hours is the burden of urban life in many cities, it can be also the bad reason of over-sized investments.

- Various types of modulated fares are possible, but they are often complex (as in WDC) and not accepted when they are not well introduced
- New technologies opportunities, such as intelligent ticketing
- Simple systems can work, in the right or in the wrong way... :
  - Curitiba: High fares ay peak hours for workers are compensated by employers’ contribution (Vale Transporte) and by half-fare on sundays (off peak period): this system favours the spreading of peak flows
  - Paris, Mexico... : on the contrary, as the fare is highly subsidied (Paris fare = 1/3 of the cost), too many passengers travelled too much at peak hours, to the detriment of workers who can’t do otherwise >> the present limit of the Versement transport in France, where a new sustainable financing system is necessary
4 – An joint urban requalification and public transport development

This deals with urban densification and urban improvement around main stations or along public transport lines that are « pedestrian-friendly » such as tramways (ie modern streetcars)

- A mutual benefit is provided to the transport system (more regular passengers) and to inhabitants (more diversified urban activities and equipments),
- Less noise, accidents and pollution also, and more land value rising as well...
- This implies a comprehensive urbanistic approach, considering the potentialities of the site and its environment, favouring the residents and users concerns

Ex Brasilia vs Tokyo
Brasilia

- Two photos (1994 et 2008) that speak with few words

What's wonderful...
And what can be regretted...

The first generation of inhabitants will praise what's wonderful
And the second one will complain about what has not been done
Pour conclure, in French

Une nouvelle crise de la ville est toujours devant, histoire sans fin, aussi vieille que la première ville au monde voici dix mille ans, depuis l'ère néolithique

- Depuis environ 150 ans, la ville a bénéficié du progrès de l'automobile ; elle en mesure aujourd'hui les limites...
- Urbanisation, motorisation, congestion, pollution, changement climatique... une nouvelle organisation urbaine s'impose, qui pour sauvegarder la qualité de vie en ville, doit implanter d'autres formes de mobilité...
- Après l'ère automobile, l'ère « éco-mobile » ?
- Les solutions nécessaires sont partout progressives et imparfaites, elles exigent partout des ressources financières nouvelles et durables, elles doivent aussi être spécifiques à chaque pays, à chaque ville...
- ...pour que chaque cité réinvente sa beauté propre !
C'est l'amère beauté de notre métier...

Merci à nos hôtes argentins, à CODATU et à vous tous, par votre présence, de permettre ce beau métier, que nous essayons d'exercer, à l'exemple de Léonard de Vinci, avec l'espoir de contribuer à faire tourner un peu la lourde roue d'une vie urbaine meilleure.

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