

Information to All India Road Transport Workers' Federation

1) How much of volume of amount is provided by the Governments and local bodies at different levels for Public Transport in different countries. What are the policies adopted for funding the Public Transport?

- **USA** – 57-89 percent of the operating costs of bus services provided by public funding, while in case of rail passenger transport, it is 29-89 percent of operating costs.
- **European Union** – 23-50 percent of the operating costs covered by public funds (depending on the financing system within the particular EU member state)¹
- **Beijing, China** – 40 percent are to be covered by local government sources.
- **Chicago Metropolitan Area, USA** – Federal funds: 48%, State funds: 8%, Local funds (taxes, bonds): 39%
- **Madrid, Spain** – Public authorities – 56% (City of Madrid: 10%, Region of Madrid: 39%, Central State: 7%).
- **Oslo, Norway** – City administration: 33% (Funding of public transport is the responsibility of the counties)
- **Ile-de-France, Paris** – National Government: 4%, Regional Government: 14%, Local government: 9%.
- **Greater Portland region, USA** – Total federal funds: 12%, Total State funds: 74%, Total Local funds: 5%
- **Greater Tokyo Area, Japan** – National and Local governments up to 70% of total construction costs.

Source: International Transport Forum, Funding Urban Public Transport, Case Study Compendium, 2013.

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKewig-9b86K_zAhVizTgGHc4HB3MQFnoECBcQAQ&url=https%3A%2F%2Fwww.internationaltransportforum.org%2Fpub%2Fpdf%2F13Compendium.pdf&usg=AOvVaw1G5MaaZMNHFL_XAxZuNAOd

Different policies adopted for funding the public transport:

- Road infrastructure fees – Road tax. Used in Scandinavian countries and the US.
- Excise duties – only on selected goods such as alcoholic drinks, tobacco products, mineral oils and energy. Germany and Switzerland have introduced a specific proportion of collected excise duties on mineral oils as a source of the financial support of public passenger transport.
- Motor Vehicle Tax – Compulsory within European Union member states, applies to all vehicles that are used for business. Also, used in Canada and US.
- Property Tax – used in Europe, Asia and North America. In US (Minneapolis and New York), India, Osaka, Japan, Spain – Assumption that value of property increases when it is better connected to public transport.
- Parking fees – directly used for financial support of public passenger transport.

¹ Poliak, Financing Public Transport Services from Public Funds, Transport Problems, vol. 12, iss. 4, 2017, pp61-69

- **Local Taxes**
 - a. France – **Versement transport**, a tax placed on employers within a public transport service area. Businesses that profit from good transport links are used to build and maintain the transport services within a certain area.
 - b. Vienna – Metro financed by **local tax on large employers**.
 - c. Brazil – **Payroll taxes**, any employer with more than 10 formal employees, and a home-to-work trip for an employee that costs more than six percent of the employee’s salary, must pay the difference between six percent of the salary and the cost of the ticket. Assumption that employer’s benefit from good public transport.
- International Loans – World Bank – ‘Who benefits pays framework’ --> those that benefit from urban transport services should pay for their costs. World Bank suggests three types of benefits:
 - a. general benefits, which are received by society in general
 - b. direct benefits, which are received mainly by users of the transport system
 - c. indirect benefits, whereby non users of the system still perceive benefits from the improvements

Table 1: financing instruments by type of beneficiary
Source: World Bank, From Sideways To Subways, 2016

GENERAL BENEFIT INSTRUMENTS	DIRECT BENEFIT INSTRUMENTS	INDIRECT BENEFIT INSTRUMENTS
Beneficiary: general public	Beneficiary: direct beneficiaries (users, drivers, passengers)	Beneficiary: indirect beneficiaries (firms, land and property owners, developers)
Public transport subsidies	Parking charges	Advertising
Property taxes	Road pricing	Employer contributions
National and international grants and loans	Congestion charges	Added value capture mechanisms
Climate-related financial instruments	Fuel taxes and surcharges	Land-value taxes/betterment levies
Global Environment Facility (GEF)	Vehicle taxation	Tax increment financing
Clean Technology Fund	Farebox revenue	Special assessment
Clean Development Mechanism (CDM)	PPPs for urban roads	Transportation utility fees
Public-Private-Partnerships (PPPs) for public transport		Land asset management
		Developer extractions
		Development impact fees
		Negotiated exactions
		Joint developments
		Air rights

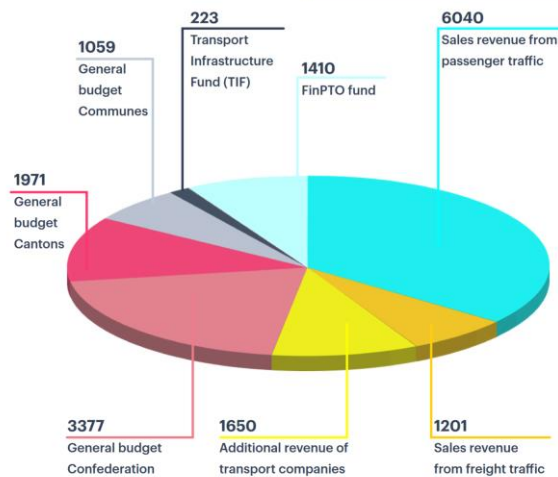
- Climate Finance – Funding from institutions such as Global Environment Facility, Clean Technology Fund, Global Climate Change Alliance, ADB Clean Energy Fund. Example: 10 percent of the funding for the BRT in Bogota, Colombia was funded through the Clean Development Mechanism (CDM)
- Fare-Free Public Transport – Europe, most locations of fare-free public transport. 21 in Poland, 20 in France, Tallinn in Estonia, US – 27 fare free systems in small towns, Brazil – 11 fare free systems, China – 2, Australia - 1

Some examples from country specific policies for funding the public transport:

1. **Switzerland** – direct democracy, participating budgeting
 - Proportion of the income gained from a federal gas tax and roadway tolling --> earmarked for public transport.
 - Combination of taxes – heavy goods vehicle charge, revenue from mineral oil tax and VAT

Figure 9: funding of public transport in Switzerland
 Source: Federal Office for Transport, Swiss Transport Policy from A to Z, 2016

led to the introduction of privately run rail companies in its member states, the Swiss Confederation, the cantons (federal states),



2. Columbia, BRT- operated by private companies

- Stage 1: Financed through a fuel tax (46%), local revenue (28%), World Bank credit (6%), National Government grants (20%)
- Stage 2-4: Also, received funds from Climate finance through the Clean Development Mechanism & sale of Certified Emission Reductions (CERs).

3. Munich, Germany – Public transport, 100 percent owned and operated by the municipality.

- Funded by federal, state, and local governments, as well as through passenger fare.
- Subsidised public transport by using the surplus made in Electricity sector.

4. Tallinn, Estonia – Residents to register and pay an administrative charge of (USD2.30) and receive a 'green card' – access 5 tram lines, 8 trolley bus lines and 57 bus lines in the city.

- Funds from administrative charge, income tax from the residents.
- Land Tax – local tax implemented to capture the increase in property value

5. Mexico – Central government created the Public Transportation Federal Support Program (PROTRAM) in 2009.

- Grants up to 50% of the infrastructure costs of public transportation projects.
- Climate finance grant – GEF, IBRD, CTF

6. Hong Kong MTR Corporation – Rail plus property model

2. What is the Fare Box collection (Traffic Revenue) percentage in the total cost indifferent countries?

Area	Rail Network (Km)	Bus Network (Km)	Farebox Revenue Percentage
Hong Kong Mass Transit Railway (MTR) Corporation			185% ²
Beijing Capital Region, China	519	19,547	22% ³
Greater Chicago Region, USA	970	9156	38%
Greater London area, London	1258	700	47% ⁴
Madrid, Spain	707	691	44%
Oslo, Norway	397		54%
Ile-de-France Region, Paris	1769	24661	40%
Greater Portland, USA	119	1340	25%
Seoul Metropolitan Area, South Korea	327	13096	97%
Shenzhen, Beijing Capital Region. China	178	18530	
Greater Tokyo Area, Tokyo, Japan	2426	15376	30%
Toronto			63% ⁵
Vancouver			52%

² Hong Kong Mass Transit - <https://www.theatlantic.com/china/archive/2013/09/the-unique-genius-of-hong-kongs-public-transportation-system/279528/>

³ Covers data for rest of the case study areas. Source: International Transport Forum, Funding Urban Public Transport, Case Study Compendium, 2013. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwig-9b86K_zAhVizTgGHc4HB3MQFnoECBcQAQ&url=https%3A%2F%2Fwww.internationaltransportforum.org%2Fpub%2Fpdf%2F13Compendium.pdf&usg=AOvVaw1G5MaaZMNHFL_XAxZuNAOd

⁴ Transport for London - <https://tfl.gov.uk/corporate/about-tfl/how-we-work/how-we-are-funded>

⁵ Toronto - <https://www.minnpost.com/minnesota-blog-cabin/2013/06/farebox-recovery-economics-public-transit/>