

Financing and Organization of Urban Mobility

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EXTRACTING THE FULL VALUE FROM THE URBAN MOBILITY SYSTEM (I)

- ❑ The Urban Mobility System (UMS) plays a significant role in the life of any urban area of a significant dimension
- ❑ Significant research efforts have been made for defining solutions of maximum efficiency (separately) for each of the main transport modes
 - For **private transport**, fighting congestion through (marginal social cost based) pricing of the circulation phase
 - Little action on the issues of quantity and access regimes of parking
 - Some decades on *Supply Planning* (network expansion) then *Demand Management*
 - For **public transport**, promoting productive efficiency through (managed or direct) competition
 - Little action on the issues of value-based pricing and cost coverage
 - Mostly **supply management**, little attention to marketing and segmentation

EXTRACTING THE FULL VALUE FROM THE URBAN MOBILITY SYSTEM (II)

- ❑ Little effort towards integrated policy and design. But these modes are
 - *Rivals* in consumption of resources (public space and investments being the most visible), and in consumers' choices
 - *Complementary* in services (P&R for instance)
- ❑ To extract the full value of the UMS, it is useful to formulate and answer a small set of questions
 - *The Configuration Question:* What changes would be desirable to the UMS to improve the overall quality of life, competitiveness, social cohesion and sustainability of the city?
 - *The Financing Question:* What is the most fair and efficient way to split the costs of the UMS and its Public Transport component across the various segments of society, and particularly what fraction should be supported by public funds?
 - *The Institutional Question:* What is the institutional design that seems to be most effective to provide good answers to the two previous questions?

The Configuration Question (I)

Transport Plans and Emerging Changes

- ❑ Answering the configuration question is the typical mission of “Transport Plans” (under this or similar names), which have been produced for most midsize and large cities for at least some 40 years
 - Unfortunately, the production of these Plans (and the subsequent deployment on the real world) is still suffering from low levels of innovation in what concerns Public Transport
- ❑ In urban mobility *two directions of change* are most visible:
 - an *increasing proportion of trips is of a voluntary nature* (i.e., not work or school related), with a growing dispersion of origins and destinations
 - an increasing proportion of people is having *different mobility requirements across the days of the week*, as they engage in voluntary activities on a non daily basis

The Configuration Question (II)

Responses to Emerging Changes

- ❑ To address these challenges, two major responses are needed:
 - Public Transport tariffs (transport titles) should easily accommodate the notion of **Modal Alternation**;
 - *New types of services* should be allowed for introduction in the market, exploring the possibilities of market segmentation, making strong use of ICT oriented towards the client
- ❑ Adaptation to the evolving mobility requirements of society can only be produced by *less regulated environments*, and it should be possible to have configurations for the Public Transport subset of the UMS in which
 - one part is very stable and defined from the top (i.e. the Authority)
 - and another part is generated at the bottom (transport operators and other service providers)

The Configuration Question (III)

Strategic Guidance, Goals, Indicators

- ❑ Dynamic adaptability of the configuration without *strategic guidance* is a dangerous practice. And for a strategic guidance to emerge, *clarity of purpose* is essential
 - The policy process has to start with a clear definition of the *Strategic (Quality) Goals for the UMS*, preferably adopting a relatively small set of KPIs (Key Performance Indicators) and their target values at the future reference date
 - For the main components of the “Transport Plan” identify their contribution to each of the strategic quality goals, through their marginal contribution for improvement of the relevant KPIs.
- ❑ In parallel, *evolution towards a regulatory framework that stimulates modal alternation and innovation in public transport services*
- ❑ *Monitoring and publication of its results*, for discussion with stakeholders and readjustment of plans

The Financing Question (I)

Prices and Subsidies

- ***Double role of prices*** (tariffs) must be clear :
 - they pay for the mobilization of resources, allowing the replenishment of the supply side;
 - they are a potent driver of consumers' choices, allowing the managers of the UMS to influence the level of demand across the various components of the system.
 - There are price thresholds above which some persons will not be able to access those services
- In general, there is ***no need to subsidize many of the clients of Public Transport***, although it is essential that ***no one is deprived of mobility because of inability to pay***.
 - Apply principles of vertical equity (***subsidize those who need it***) instead of adopting a general tariff subsidy through the operators.
 - That general subsidy is not only ***unfair*** (loading the taxpayer without a real need for that on the part of many of the beneficiaries), it also ***promotes inefficiency*** of the operators.

The Financing Question (II)

Direct subsidies and Concessionary Fares

- ❑ To ensure greater fairness and efficiency (and also fiscal responsibility), it is important that *the subsidy to those in need is supported by the budgets of the various existing social protection agencies* and becomes part of their support of dignified living conditions of their beneficiaries
 - This will of course require a revision of the budgets and funding bases of those social protection agencies
- ❑ Great differences in targets of *concessionary fares* across the EU
 - an apparent *result of ad-hoc procedures* occasionally repeated in each city
 - Also no *clear principles about compensation* of these discounts

The Financing Question (III)

Cost Coverage of UMS

- ❑ *The Urban Mobility System should be able to move towards full coverage of its operational costs, plus those associated with its external impacts*
 - Growing competition for public funds from other sectors with less ability to provide a similar level of cost coverage, namely pensions and health care in an ageing society, plus education of increasing sophistication levels in a knowledge society
- ❑ *Multiple steps needed* to get there
 - Higher efficiency of public transport operators, by changing subsidy process and by promoting segmentation
 - In many cities, higher ticket prices for public transport
 - Contributions from indirect beneficiaries (businesses, land owners / tenants, car drivers)
- ❑ **Car Drivers are simultaneously direct users of the UMS and indirect beneficiaries of a good PT system**

The Financing Question (IV)

Indirect Beneficiaries / Investments

- ❑ Better charge businesses according to their floor space than to the number of employees
- ❑ Charges on private cars serve a double purpose:
 - influence travellers' choices, as they reflect value for drivers who accept to pay (as direct users)
 - provide a layer of funding to the UMS in general (as indirect beneficiaries of a good public transport system)
- ❑ Charges on access by private car to different urban areas should be different according to
 - the level of saturation on the road network
 - the quality of service provided by public transport to those areas (alternatives available)
- ❑ Taxation of land owners / tenants should be done every year and not only on transaction
- ❑ Contribution of national (regional) budgets for investment possibly needed but only on condition of demonstration of financially balanced operations

The Institutional Question (I)

Quality Target Levels

- ❑ If the UMS has an important role to play in the Quality of Urban Life and in the Competitiveness of the city, then the *UMS itself must be of good quality*
 - the *quality objective must be present throughout the system*, although inevitably the level of quality will not be the same across space and modes in a given conurbation
 - *Market shares are not the key performance indicators*, but just intermediate indicators, as the goals (and so the targets) must be related to quality of life, economic efficiency, sustainability, and social inclusion
- ❑ What level of quality is targeted and what level of speed in the transition are aimed at will *depend on the level of ambition for this sector and on the resources that can be made available for that*

The Institutional Question (II)

Strategic Command, Tactical Consistency

- ❑ *A strong and wise Strategic Command of this system* is required, so that the adaptations are well incorporated into a baseline trajectory towards the established quality targets
 - *provided by a political organ*, singular or collective depending on the prevailing local and regional power solutions in each country, preferably representing the whole mobility conurbation
- ❑ *At the Tactical (or planning) level, a single agency must be in charge of all transport modes in the mobility conurbation*
 - carrying out planning and oversight with technical competence and firmness in action
 - while ensuring transparency and fairness in treating the legitimate interests of multiple public agencies and private parties
- ❑ The size and complexity of the system will certainly imply *some (geographical and modal) fragmentation of responsibilities closer to the operational level*

Conclusions (I)

- ❑ The Urban Mobility System is a critical contributor to quality of life and competitiveness of European cities, and must offer *high levels of quality in all its modes*;
- ❑ Effective mobilization of the energy and skills of all members of society requires that *good mobility solutions are available to all population segments and urban areas*
- ❑ *Separate policy setting and management by mode leads to very significant losses of quality and of efficiency*
- ❑ As daily mobility requisites vary, so should *it be easy to vary the solutions adopted: Modal Alternation* is a powerful concept but its application still faces many barriers

Conclusions (II)

- ❑ The complexity of these systems and the permanent evolution of lifestyles can only be adequately addressed under a *governance framework which provides Clarity of Purpose and Strategic Guidance*
- ❑ *A single agency should be in charge of the tactical (planning) decision level for all issues in the mobility conurbation, with strong links to land use decisions*
- ❑ *Innovation in mobility services* is very important for better adaptation to evolving requisites, and is *preferably brought up by private companies*, transport operators or not.
 - It is the role of public agencies in general and of this planning agency to favour the emergence of such innovations and their integration with the previously existing supply forms

Conclusions (III)

- ❑ A *sound Financing framework* must be defined and accepted for the Urban Mobility System, promoting its evolution to the desired configuration
 - Recognizing that *the financing issue must be addressed globally for the Urban Mobility System, and not separately by mode*
 - In general, the Urban Mobility System must be able to *reach full coverage of its operating costs (including maintenance)*
 - *Contributions of indirect beneficiaries* must be included in the equation
 - *Subsidies must be awarded to only those people who need them, through the budgets of social protection agencies* who know their situations better

Conclusions (IV)

- ❑ *Investment costs may require contributions from the (national) public budget*, given their foundation role in the urban fabric
- ❑ *Benchmarking practices must be systematic adopted in their appraisal*, followed by independent peer-review of the corresponding studies in case of discrepancy
- ❑ *Any new investment project must only be approved* after it can show that it can be properly integrated in the general system *without disturbing the future balance of operating cost coverage*

Thanks for your attention !

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