Responding to transport funding challenges

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Background

A number of transport projects in New Zealand have been hard hit by recent spending cuts, and the availability of funding is likely to remain a challenge for some time to come. In the past transport professionals have been quick to respond to funding challenges. Can we still show the way?

Potential funding methods

Examples of funding methods that have been used in small and medium-sized cities throughout the world, and which may be relevant to New Zealand, include:

- Employer/employee taxes
- Parking charges and fines
- Sponsored public transport services
- Local motoring taxes
- Consumption taxes
- Cross-utility financing
- Road charges
- Property-related taxes and development levies
- Advertising.

In Europe, employment taxes dedicated to public transport systems are in use, e.g. in France ("Versement transport").

Parking charges may be hypothecated to support specific transport projects or as a part of a planned transport funding package.

Bus routes that connect to stores and shopping malls may be sponsored by companies in the area.

A local motoring tax is a tax levied on motorists by local jurisdictions for local purposes (one of them being public transport) and is collected in addition to state and federal motor fuel taxes.

Transport agencies often use consumption taxes to replace decreasing federal funding, to build significant capital projects, or to supplement operating revenue. These kinds of taxes are common in the United States of America where many States have implemented these kinds of schemes after obtaining voter approval.

Cross-utility financing is adopted on a localised basis, and earmarked to fund public transport.

There are mainly two methods of how cross-utility financing operates in practice. The first method is via a levy on utility use e.g. telephone, water and sewerage. The second method is where a loss-making public transport department is cross-subsidised by a profitable utility department.

Road charges can be used to support public transport. Tolling in the cities of Oslo, Bergen and Trondheim in Norway is based on a cordon system, in which vehicles (except public transport) must pay for entry to the city centre, and the revenues are intended to fund a mixture of road and public transport investments.

The property tax is based on the concept that, by providing a public transport service, the occupants of the properties are provided with a benefit.

Development levies tend to operate within planning rules. Examples are development charges, whereby part of the cost of transport would be recovered by special charges on different land uses, usually levied at the time of new development of properties in the benefiting areas.

Selling advertising space on buses and at bus stops is a common source of financial support for public transport throughout the world. Further details of how these potential funding methods have been applied elsewhere in the world are outlined in the paper.

Examples of innovative funding approaches

City Mobility Manager

A good example of 'thinking outside the box' with regard to the integration of funding for transport projects with other projects is the cooperation between the German City of Aachen's environment department and its chamber of industry and commerce. Since 2008 they have jointly financed a part-time mobility manager.

The need for the position arose from the city's Clean-Air Plan, in which many measures were agreed on to promote alternatives to cars, especially for trips to work. The role includes responsibility for achieving 'whole city solutions' that encourage people to change from behaviour that would normally result in pressure for new and expensive transport infrastructure.

The mobility manager is responsible for promoting and consulting with the chamber's member companies, regarding offers available to them on public transport and represents the interests of the member companies in the field of mobility management. The mobility manager is funded two-thirds by the City of Aachen and one-third by the chamber. After the review of available resources was done, the city's environment department found that there was shortfall in funding. In approaching the chamber of industry and commerce, and combining resources, the funding gap was bridged.

The approach of bundling financial resources for running mobility management is unique for Germany and a good example of how public authorities can maximise resources when funding is tight.

▲ Transport Options in Aachen, Germany

Funding Public Transport Using Tourism Tax

The Upper Engadine district is a tourist region in the eastern part of Switzerland consisting of 13 municipalities including St. Moritz and has 18,000 inhabitants and 80,000 guests per day during the peak season. The district has an integrated public transport network (including timetable) and an integrated fare system. In 1999, a revised fare tarriff was introduced in conjunction with enhancements to public transport service provision. This required a new funding model to be developed.

In total, EUR 3 million per year needed to be covered: EUR 1 million for revenue losses, EUR 1.7 million for uncovered costs (costs not covered by fare revenues) of supplementary public transport supply, and EUR 0.3 million for the management of the tariff union, public transport administration and planning.

Based on the taxes and negotiations the following funding scheme resulted:

- 42% funded by the municipalities
- 28% funded by the tourism tax
- 16% funded by the mountain cableways
- 14% funded by the canton (region).

The tourism tax includes hotels and holiday apartments as follows:

- EUR 0.25 in winter and EUR 0.16 in summer per hotel guest and night and approx. EUR 55 per year per holiday apartment
- The tax is levied by the district's tourism organization for hotels and by each municipality for holiday apartments.
- The tax is limited to 30% of the uncovered costs.

The district and the mountain cableways agreed on a contribution which considers the "benefits" of the mountain cableways and their customers. The mountain cableways have to bear the costs of:

- Revenue losses from ski passes (which entitle holders to free use of public transport services)
- Part of the costs of supplementary public transport supply.

The cost distribution among the municipalities agreed was based on the number of inhabitants, the tax income (economic possibilities) and public transport supply (number of bus/rail departures within a municipality).

The general funding model can be transferred to other public transport schemes in places where tourists make up a large share public transport passengers. The main success factors are the willingness for cooperation of all involved partners and the transparency of the cost-distribution model.

▲ Innovative Bus Stop in Aachen, Germany

▲ Upper Engadine, Switzerland

Practicality of innovative funding methods

Many of the funding methods described in this paper rely on structures which already exist in New Zealand, and would be relatively inexpensive and simple to implement.

Acceptability by the public is often low however, particularly when new charges or taxes are imposed on them. Acceptability improves when the objective is explained.

It helps when the public understands the need for revenue, and when the existing tax structure is regarded as not too onerous.

Transparency is therefore key, as well as taking care not to impose heavy future financial burdens on local taxpayers.