Getting public transport back on track

UITP chose Milan/Italy as the host region for its 2015 Congress and Exhibition. Why is this country a good showcase for public transport?

I think there were two main factors that tipped the scales in favour of Milan and Italy. The first was the holding of the 2015 Expo during the same period, a tie-in that was too tempting for the world’s most globally minded transport conference, and one which the UITP could simply not ignore. The second factor was the very nature of the extraordinary city of Milan, as well as its surrounding region of Lombardy. Both the city and the large territory are impressive driving forces of business, elegance and the fine art of displaying any product to its best advantage, finding a way to combine practical business sense with cultural and regional inspiration. This last talent is the most striking example of an attitude which, if I may say, is exquisitely Italian, seeing that fortunately the ‘Made in Italy’ approach still counts for something, despite globalisation and the economic crisis. From our point of view, UITP’s decision makes us extremely happy, not only because it awards the Italian transport industry by choosing an Italian city as the site for its congress for the second time in only 10 years, following the congress held in Rome in 2005, but because we consider the decision to be a sign of noteworthy encouragement, further fuelling our desire to leave a difficult economic situation behind and put our country, as well as its transportation system, back on the move again. In short, the upcoming event in Milan gives us a very real reason to look towards the future with a SMILE!

What are the mobility challenges for the cities/regions/country?

The challenges to be faced in terms of mobility are closely tied to pressure that exists Italy to find a way out of an economic crisis that had made it necessary to keep everything running as effectively as possible, but with funding that keeps falling. The overall objective is optimisation, which means, in the transport sector, rendering local systems of mobility sustainable in the only way possible: by ensuring the utmost planning, foresight and modal integration. Italy already possesses an administrative tool designed to accomplish this, the ‘Urban Mobility Plan’, the problem being that local government bodies lag way behind in terms of applying this plan to their situations. There is no excuse for a similar lack of efficiency, especially in light of the difficult conditions already referred to. The fact is that urban congestion (traceable in large part to the inefficient management of local mobility within a

The Italian public transport sector – an overview:

- 1,009 local public transportation operators, including 160 companies under semi-public ownership
- 5.3 billion passengers a year (14.5 million passengers a day)
- 2 billion kilometres of transport produced each year
- 9 billion Euros of total turnover
- 110,000 employees
- 50,000 pieces of transport equipment
territory that, in the case of Italy, features urban areas with highly distinctive characteristics, seeing that the downtowns of most Italian cities are zones of great historic value) burdens Italy with extremely onerous costs: more than 11 billion euros, according to the estimates of our Ministry of Transport.

What are the biggest challenges for your members?
Looking at the sectors of greatest economic importance, public transport is the one currently experiencing the greatest difficulties, given its structural dependency on public funding. What is more, most of our members are semi-public companies, which places them in the eye of the storm at present, seeing that one of the main responses to the economic crisis that broke out in 2008, but whose repercussions, in terms of the real economy, are being felt right now, is the ‘spending review’, a plan for reducing public spending and rationalising the structure of the State by making cuts in semi-public companies. The problem being that, unlike the large number of semi-public companies used by local and regional governments to carry out their operations, transportation companies not only provide a vital public service, but they have a full-scale industrial dimension and influence. There is no question that our companies need to, indeed, they are striving to, leave behind the period of economic stagnation and difficulty that they have found themselves in both before and after the economic crisis. Despite the major cuts in their funding, they have held up fairly well. But what is most important, if they are to meet their overall objectives while, at the same time, further increasing their internal levels of efficiency, are firm policy guidelines, together with a strategy that addresses not only immediate problems but also the continued growth and development of the sector. I believe that many of the problems faced by local public transport in Italy are rooted in a systematic tendency by political decision-makers, both local and national, to underestimate the sector’s potential for generating business activity and stimulating the economy as a whole. What is needed is an all-encompassing strategy that, rather than considering local public transport as merely a source of costs and spending, sees the sector for what it truly represents: an opportunity for the development of both the surrounding territory and the urban structure, as well as a catalyst for the economic recovery of the entire country.

Statistics on companies under semi-public ownership (ASSTRA members)

- 127 companies under semi-public ownership that provide local transportation services (roadway, railway, subway, tramway, boat)
- 32 semi-public companies that provide services related to local public transportation (agencies, holding companies, maintenance concerns)
- approximately 150 level-II semi-public companies
- 85,000 employees
- Incidence of the cost of labour on production costs: 48% (year 2012)
- Processes of concentration – from 2010 to 2014 the number of such companies fell from 160 to 127
- Indexes of economic analysis (year 2012):
  - % of companies with a positive EBITDA (90%)
  - % of companies showing a profit (63%)
  - overall losses of approximately 300 million Euros, of which 182 million recorded in the Lazio Region (year 2012).

In terms of strategy for the sector, what is the principal focus for the moment?
Framed in the simplest possible terms, the objective for the sector is to create a real market that is both regulated and fair, but, above all else, competitive. As far as the companies involved are concerned, the primary objective is to arrive at a stable framework within which they can operate, meaning one with well-defined rules and resources that can be depended on, in order to establish, without further delay, a gradual process of market competition. Regulated competition unleashes energies and, in instances where it has been put in place, it has succeeded in improving the quality of services. For this to take place, the regulations governing local public transportation must be revised, eliminating the layers of overlapping and contradictory measures that made the current regulations old before they even went into effect,
in this way bringing them in line with the rules and regulations of the European Union.

As far as funding is concerned, it is vitally important that a clearly defined system for financing and the distribution of resources be established through the implementation of a standard costs model that would also serve to limit the unilateral and unexpected cuts in the compensation received under service contracts. As an association, we are expending a great deal of effort to arrive at an effective and flexible cost model to be used in conjunction with the overall financial structure of local public transport, ideally including investments as well. As we see it, the introduction of a standard cost, to be used as an accurate and transparent way of confirming proper levels of compensation for tendered contracts and in-house assignments, as well as for evaluating the appropriate consideration when such companies become listed, is an excellent idea. Finally, we are firmly opposed to the practice, currently much in vogue in Italy, of mandating from above (through legislation) the merging and concentration of companies, as has occurred in a number of Italian regions. There is no question that our market is extremely fragmented (see the first table), but efforts to ‘get together’ (just as in the case of marriages...) should be left to the complete and unfettered discretion of the companies involved, so that they can decide on the best forms of business aggregation (the creation of groups). The fact is that the sector’s economic-productive characteristics do not warrant processes of forced concentration, with empirical evidence showing that economies of scale are only moderate, occurring when the companies involved present low levels of size and diversification.