Financial and Economic Crisis

The Situation of the Public Transport Sector in EU 27
(state 31 March 2009)

1. The performance of the public transport sector in EU 27

The public transport sector in EU 27 includes operators of regional and suburban rail, metro/tram, local/regional bus and local waterborne services.

UITP estimations for 2008 in EU 27:

<table>
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<th>60 billion/year</th>
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<td>(comparison:</td>
<td>700 million in</td>
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<td>passengers</td>
<td>the aviation</td>
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<td>turnover</td>
<td>sector)</td>
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<td>direct</td>
<td>125 billion/year</td>
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<tr>
<td>employment</td>
<td>1 million</td>
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High multiplier effects and particular importance for local employment
According to various studies from EU and US, the every direct job in public transport is linked to 2-2.5 indirect jobs in other sectors of the economy¹.

Countries with high investments in public transport and railroads such as Switzerland count four indirect jobs on one direct job².

Jobs in the public transport sector have a particular importance for local employment as they are - compared to other sectors – relatively stable also in crisis situations and can not be delocalized!

In most large and medium-sized cities, local public transport operators are amongst the most important employers as well as investors.

¹ Verkehrsclub Österreich: Wirtschaftsfaktor Öffentlicher Verkehr, 2004
² Volkswirtschaftliche Bedeutung des öffentlichen Verkehrs in der Schweiz. VÖV/UTP 10/2004
2. Evolution and forecast of demand

In 2008, public transport especially in many Western European Member States and regions has seen a considerable increase in ridership such as in France (first 10 months: +5.8%), in Germany (+1.7% in 2008), in UK (+2.8% in the twelve months leading to September 2008, London only: +4.2% in the same period) or in the Brussels region (+3.1% in 2008). The capital region of Vienna has seen an increase of 10% over the last 5 years.

In the new Member States of the EU, public transport ridership is stabilising after a sharp decrease in the 1990s.

Reasons for this are not only quality improvements, but also high oil prices as well as an increased awareness for sustainable travel behaviour.

UITP is not aware of any forecasts of demands in the public transport sector with specific focus on the economic crisis. There is, however, some preliminary evidence that growth rates in public transport have slowed down recently in some regions in the EU which are particularly touched by the crisis so far (e.g. Spanish cities, London or some cities with important automotive plants).

There are, however, forecasts for the development of public transport ridership in some Member States/regions taking into account mid- and long-term demographical and socio-economic developments.

Especially the more in-depth studies show a very different picture for different regions in the EU.3

In particular in larger and medium sized cities in Western Europe an increase of ridership is expected. Other cities in some new Member States, but also economically declining regions in Western Europe (e.g. Ruhr area in Germany) as well as many rural areas will have to cope with lower ridership due to a decrease of population. Especially cities in the New Member States are challenged to preserve the existing high share of public transport.

3. Effects of economic and financial crisis

Public transport systems are financed differently in the EU Member States and regions. Income from ticket revenues, public funds, private investments, various taxes (from property, local economy etc.), compensations for reduced ticket prices, urban tolls and other sources vary considerably.

Therefore the financial crisis has and will have different consequences in different EU Member States depending on how public transport is financed locally.

Some first general trends can however be observed already now.

**Observed local/regional trends depending on different financing of public transport**

**Operation of public transport services**

- France + Genoa: payments for operation from authorities to operators are delayed
- US: financial problems for many authorities

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3 VDV Studie: Zukünftige Finanzierung des öffentlichen Verkehrs
- France: “versement de transport” (from local economy) already suffers from development of local economy in different cities. Potentially large problems in cities which are particularly affected by economic crisis. Some Organising Authorities are already reporting the closure (or downgrading) of some smaller lines in order to concentrate the available resources on those lines with most passengers. Another observed trend are decisions to delay future investment. Ongoing investments are currently less impacted.

- Spain: revenues from property development for financing public transport are decreasing. Financing of PT investments will have to be rethought and larger financial amounts will have to be found from other sources. Trends are similar as in France, in particular the reduction of service offer.

- United Kingdom: sharp slowdown in revenue growth, in particular in the regional rail business. This leads to job cuts, for example First group announced to cut 3,500 jobs, 1,750 in the UK (1,100 in bus operation and 650 in rail operation) and the rest in North America.

**Investments in public transport projects**
- In general, loans are more difficult to get for private, but also for public companies/authorities
- Projects are put on the hold or delayed as financing is more difficult
- PPP projects are more difficult as private partners have more problems to get loans

**Economic crisis in the public transport vehicle manufacturing/supply industry**
- Rail manufacturers: still relatively good situation, so far no clear signs of decrease as modernisation of rail fleet in public transport is planned long-term ahead.
- Automotive manufacturers: ongoing economic crisis especially in the truck business affects also bus productions as many truck manufacturers also produce buses. The still relatively stable demand for urban and regional buses operated for public transport services (compared to the truck and coach business) is in this context very important for the manufacturers.

### 4. Need for a Green New Deal

The current financial and economic crisis represents an opportunity for the emergence of a new mindset. The European and national recovery plans developed to mitigate the effects of the crisis should lay down the basis for this paradigm shift, enabling future sustainable economic growth within an inclusive society. Important objectives to be pursued include:

- Revive the economy, create employment opportunities for all
- Reduce carbon dependency, pollution and climate change

**Cities are the economic motors of Europe and good public transport represent the solution to the most pressing transport related problems:**

More than 70% of the economic wealth in Europe is created in urban areas which at the same time face high congestion and pollution levels. Approximately 7% of this wealth is wasted on the external costs of accidents, congestion, health and environmental damage linked to transport. Promoting efficient and high quality public transport networks represent the answer to these problems by offering attractive
mobility solutions as a basis for sound economic development whilst reducing congestion, accidents, climate change and local pollution.

Due to the high energy and economic efficiency of urban mobility systems based on collective transport rather than on private cars, public investments into collective transport modes should be an integral part of all economic recovery plans:

- **More public transport means lower energy consumption for transport (and thus reduce carbon dependency, lower GHG emissions and lower air pollution)**
  
  Energy consumption for passenger transport is divided by four when comparing cities with a lower modal share of public transport, walking and cycling to cities with a high share of those modes. To give some examples, the measured energy consumption for transport per inhabitant in Hong-Kong, Tokyo or Warsaw, which rely mainly on public transport, walking and cycling, was ¼ of the energy consumption for transport per inhabitant in Chicago or Melbourne, which rely heavily on the private car⁴.

  In more concrete terms, this represents a saving of about 400 to 500 kg of petrol per inhabitant per year (about 15 full tanks!!) in cities with a higher modal share of these modes.

- **More public transport means less expenditure on transport for citizens and thus increases available purchasing power for other goods and services:**
  
  The share of the urban GDP spent on transport is halved when comparing cities with a low modal share of walking, cycling and public transport to cities with a high share of those modes. The cost of transport is less than 6% of the urban GDP in Hong-Kong, Singapore, Helsinki or Amsterdam where public transport, walking and cycling play a major role. In contrast the cost of transport is more than 12% of the urban GDP in cities that are mainly dependant on private cars⁵.

  In a context of credit crunch and economic slowdown, the fact that households can spare a significant part of their expenditure by changing their mobility habits is very relevant.

- **More public transport means more inclusive societies and more jobs for local communities that cannot be delocalised!**
  
  Public transport networks represent the essential link enabling good accessibility for all to the different functions of the city (employment, education, health, leisure …) while securing social inclusion and providing stable local employment. In the European Union we estimate that public transport operators offer 1.000.000 direct jobs and studies suggest that every direct job in public transport is linked to 2-4 jobs in other sectors of the economy.

  In many European cities, the public transport company is the most important employer. Those jobs are local and offer numerous employment chances to underprivileged groups of society.

  More and better public transport is part of the solution towards vibrant and competitive cities within a low-carbon future!

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⁴ UITP Mobility in Cities Database
⁵ UITP Mobility in Cities Database