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INVESTING IN PUBLIC TRANSPORT INFRASTRUCTURE AS PART OF THE EU PACKAGE FOR JOBS, GROWTH AND INVESTMENT

In the European Union, UITP brings together more than 400 urban, suburban and regional public transport operators and authorities from all member states. It represents the perspectives of short distance passenger transport services by all modes: bus, regional and suburban rail, metro, light rail and tram and waterborne.

These services are often organised in integrated public transport networks covering metropolitan areas and other specific territories.

Key facts for public transport in the EU 28
Passenger journeys: 60 billion/year, more or less equally shared between road modes (mainly bus) and rail modes (urban, suburban and regional rail).

Economic value of public transport services:
€ 130 - 150 billion/year or 1 - 1.2% of GDP.

Employment: *direct employment 1.2 million and indirect employment 2 - 2.5 indirect jobs for each direct job on average.*



Reviving economic growth and creating employment is at the centre of the policy agenda of all Member states. At EU level, the Juncker Commission has clearly set the top priorities for the new European political cycle “to get Europe growing again and increase the number of jobs without creating new debt”.

The announced Package for Jobs, Growth and Investment will focus on cutting regulation, making smarter use of existing financial resources and making flexible use of public funds – to provide up to €300 billion in additional private and public investment over the next three years. This investment should be targeted - amongst other – towards Infrastructure (broadband, energy networks and transport infrastructure).

Role of cities in the economy

Cities are the powerhouses of the European Union. More than 80% of the European GDP is generated in urban areas. The economic health and the competitiveness of European cities represent thus key conditions for the needed wealth creation leading to more and better jobs.

There is a robust argument to be made in favour of placing a strong emphasis on the development of urban infrastructures, in particular urban transport infrastructures within the EU Package for Jobs, Growth and Investment. President Juncker rightly mentions “transport infrastructure in industrial centres” as a focus area of the additional investment.

This priority makes sense as the improvement of sustainable urban transport represents an important lever for growth, innovation, employment and sustainable development of cities where two-thirds of all European citizens live.

Public transport investments also help leverage private investments in the city, for instance by stimulating urban regeneration and therefore support the very dynamic of the EU Package for Jobs, Growth and Investment.

The most commonly identified drivers of the competitiveness of cities include: economic strength, human capital, physical capital, global appeal, quality of life, institutional effectiveness, and financial maturity¹. Evidence collected from studies in various countries shows that the five first factors in the list above are strongly supported by public transport (see annex).

¹ Economist Intelligence Unit, Hot Spots: Benchmarking Global City Competitiveness, 2013; Robert J. Rogerson, Quality of life and City Competitiveness, 1999

Investing in public transport is an effective lever for competitive cities

Public transport generates benefits well beyond the mobility sphere and supports a wide range of urban policies. By contributing to the competitiveness of cities, public transport enables savings and creates value, for individuals, businesses, and public authorities – notably through higher tax revenues. Public transport also helps leverage private investment in the city. Overall, investment in public transport generates value that exceeds the initial investment – up to 3 to 4 times.

The evidence (see annex) also shows that the economic benefits of public transport for the city are optimized when public transport schemes are adequately integrated into economic development strategies, urban development and housing policies, education and employment strategies, tourism and culture policies, and of course other aspects of urban transport policy.

Local governments should be empowered so as to be able to carry out successfully such integrated urban strategies. In particular, their ability to generate adequate funding for such strategies should be strengthened. As it creates value at the local level, which can be captured by local governments for the funding of infrastructures and services, public transport should be an integral part of any urban development agenda.

Urban infrastructure projects should be prioritized in future investment packages, notably at the European Union level, and the inclusion of public transport schemes would help unleash their potential for the achievement of jobs and growth objectives.

Recommendations for the European Institutions

1. European budgetary priorities should be aligned with the strategic policy ambitions

- It is time to overcome the contradiction of a European strategy increasingly impacting urban areas and a reluctance to financially support this strategy because of the principle of subsidiarity.
- Urban public transport is completely in line with the priorities of the 2020 strategy and those expressed by President Juncker in his political guidelines: competitiveness, innovation, fight against climate change and social cohesion.
- The review of the functioning of the Multiannual Financial Framework 2014-2020 in 2016 represents an opportunity to strongly uphold that urban strategic priority.
- Investments into urban public transport should also be included into the forthcoming Package for Jobs, growth and Investment.

2. What European financial instruments for the development of urban mobility infrastructure?

• **The Connecting Europe Facility**

- ✓ The funding possibility of "urban nodes" in the TEN-T regulation is provided through the Connecting Europe Facility and should enable the fast and seamless access of travellers to railway stations and airports located in major cities served by the 9 corridors of the TEN-T core network. The European added value of this type of urban infrastructure is obvious, for instance in terms of limiting congestion and time saving for the passengers;
- ✓ The annual and multi-annual work programs adopted by the Commission on March 26, 2014 clearly mention the integration of urban nodes into the TEN-T corridors.
- ✓ Member States should implement this decision concerning the urban nodes of the European transport network by proposing projects in the first call for proposals (closed on February 26, 2015)

• **The key role of the European Investment Bank** (an increased lending activity of the EIB should not compromise its AAA rating that is crucial for access to attractive funding on the capital markets. The EIB's sound investment approach should be maintained.)

- ✓ EIB lending has supported the development of urban public transport investments in many different European cities. Increasing the lending capacity of the EIB would allow the bank to provide additional financing in the next years and thus contribute to the important needs of the sector.
- ✓ Increasing the use of European Project Bonds also for urban public transport investment projects: currently some private-sector institutional investors such as insurance companies and/or pension funds are already engaged into the financing of urban public transport investments. The Project Bond Initiative (PBI) developed by the European Commission and the EIB could help attracting additional private finance.
- ✓ The proposed European Fund for Strategic Investments (EFSI) should be able to leverage between 315 and 410 billion EUR over three years, most of this money coming from the private sector. Public transport projects have their place in the European project pipeline to be proposed for financing by this new fund.

• **Increased use of European structural and cohesion funds for urban areas and transport infrastructure** (EU funds are highly useful financial instruments with a proven positive impact on economic competitiveness and GDP growth of Central European economies and cities, reducing negative effects of the economic crisis.)

- ✓ In order to promote sustainable and low-carbon mobility, the Commission should put public transport in the heart of Operational Programmes. The current seven year-cycle is long enough to reshape the mobility patterns in the new member states towards sustainable and smart transportation. The current projects and proposals strongly favour building new motorways and roads while investing in environment friendly and innovative urban and regional transport solutions and systems like local public transport, cycling or traffic management is estimated for merely 10% of shares of all Operational Programmes.
- ✓ Further streamlining of the structural and cohesion funds is needed for improving public transport infrastructure, fleet and service quality in rapidly developing urban and metropolitan economies, particularly of Central and Eastern Europe, where the modal split in favour of public transport is still considerably higher than in the old EU member states.
- **European funds for Research and Innovation should focus more on urban areas and their infrastructure, including public transport,**
 - ✓ The Smart Cities initiative: lighthouse projects under the Horizon 2020 framework must align the Strategic Implementation Plan (SIP) and Operational Implementation Plan of the European Innovation Partnership on Smart Cities and Communities. These projects should promote an integrated public transport network by applying smart urban technologies so as to ensure the vision of sustainable urban mobility as identified in the SIP can be fully realised.
 - ✓ The Public-Private Joint Undertakings for European Research and Innovation (like Shift2Rail or the Green Vehicle Initiative) should better address specific developments for urban areas with the formal involvement of all the stakeholders' categories of the urban public transport.



ANNEX

Public transport contribution to the competitiveness of cities

Economic Strength

- **Support to local economic growth policies**² - Good public transport improves connectivity at the metropolitan level. The access to wider and more diverse work force helps increase business productivity, by enabling a better match between required and available skills. The access to a wider customer market also makes economies of scale possible. The increased access to urban opportunities provided by public transport make possible a higher concentration and clustering of activities, which may provide higher efficiency through reduced labour costs, improved communication, lower infrastructure costs, and increased interaction with similar businesses. For instance, the economic appraisal of the Grand Paris public transport project highlighted the significant impact it would have on the density of employment, and thus the productivity of workers. Public transport development is thus a crucial support to policies aiming to achieve higher productivity and economic growth at the metropolitan level.
- **Travel cost reduction** - The cost of passenger transport for the community, expressed as a percentage of the city GDP, is halved in cities with a higher share of public transport, walking and cycling, compared to cities where private cars are the dominant mode of travel³. Savings are notably explained by the lower overall consumption of fuel for transport when the share of public transport, walking and cycling are higher. The amounts unspent by households on fuel may be used locally, to the benefits of local businesses.
- **Impact of public transport expenditure** - Per amount invested, investing in public transport creates up to twice as many local jobs as investment in other areas, such as highways. This is due to higher space efficiency (thus fewer resources required for land acquisition) and the complexity of projects, and thus the variety of competences required.

² American Public Transport Association, Economic Impact of Public Transportation Investment, 2014 update

³ Extract from UITP, Mobility in Cities Database, 2006. The cost of transport for the community is defined as the sum of public transport operation and investment expenditure, road building, maintenance and operations expenditure, as well as expenditure for the operation of private vehicles (fuel, insurance, parking, amortization, etc.)

Human capital

- **Attracting talents** - A majority of senior executives from leading European companies say that the quality of transport links is one of the most important factors for considering business location in Europe⁴. The quality of urban mobility and the urban environment also help attracting young talents.
- **Building skills** - The better mobility of the labour force made possible by public transport gives access to a larger variety of job and learning opportunities that enables to build up skills and knowledge more quickly. The appraisal of the Melbourne Metro project showed that it would not only support the overall development of human capital in Melbourne, but it would also help address significant imbalances between different parts of the city, contributing to improve equality within the area⁵.
- **Opportunities in public transport** - Public transport organizations provide diverse and qualifying jobs for urban dwellers. In many cities the local public transport operator is one of the largest employers (e.g. Amsterdam, Barcelona, Paris).

Physical capital

- **Urban regeneration** - Well performing urban infrastructure is a core factor in the economic success of cities. The development or extension of public transport services can act as catalyst for the upgrade of the urban fabric. Public transport can also stimulate urban regeneration within the corridors it serves. Investment in public transport thus helps leverage private investment in the city. For instance, the opening of new metro line in French city (Lyons) quadrupled the rate of urban regeneration in the corridor it served. The proportion of new or renovated buildings for commercial purposes was 60% compared by 13% elsewhere⁶.
- **Property values** - The value of land and properties is comparatively higher in corridors served by public transport, and in particular around stations. The premium citizens and businesses are ready to pay shows the higher attractiveness of these areas for living and working, which they provide better access to urban amenities and opportunities.
- **Resilience** - Research carried out in the United States⁷ compared the percentage change in average residential sales prices before and after the real estate crisis in different types of areas. It

⁴ Tim Moonen et al, The Business of Cities, 2013

⁵ Public Transport Victoria, Agglomeration Benefits of Melbourne Metro, 2012

⁶ Transecon project, Final report, 2003

⁷ The Real Estate Mantra, 2013

showed that property values in areas served by public transport were significantly more resilient than those in areas not served by public transport.

Global appeal

- **Tourism development** – Business and leisure travellers contribute to the economic vitality of cities. Transport networks and infrastructures play an essential role in tourism development. Public transport often is the prime means for visitors to get around cities, to access heritage, culture and leisure sites, and to get to local shops and restaurants. For large events held in cities, the role played by public transport is central to successful management of extra demand.
- Research showed that cities with rail transit from nearby airports to the city centre are more attractiveness for business travellers and for large meetings and international conferences, as shown by the higher performance of top end hotels, in terms of room rate and room occupancy, in those cities⁸.

Quality of life

- **Efficient mobility** – Excessive traffic congestion may seriously hinder the competitiveness of cities. About 50% of the cost of congestion is borne by businesses. Public transport plays a central role in policy packages aiming to alleviate congestion and increase travel time reliability, with benefits in terms of traffic cost savings and increased business productivity.
- **Health and road safety** – Public transport users walk about three times more than people who rely on private vehicles, and they are more likely to reach recommended daily physical activity targets to reduce risks of obesity, heart disease, stroke, and depression – if the adequate infrastructure for walking and cycling is available and connected to public transport. Higher shares of public transport are correlated to lower traffic fatalities rates. These health and road safety benefits can also be translated in savings in terms of public health expenditure.

⁸ APTA, Convention Growth, 2013

Conclusion: investing in public transport is impactful

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