

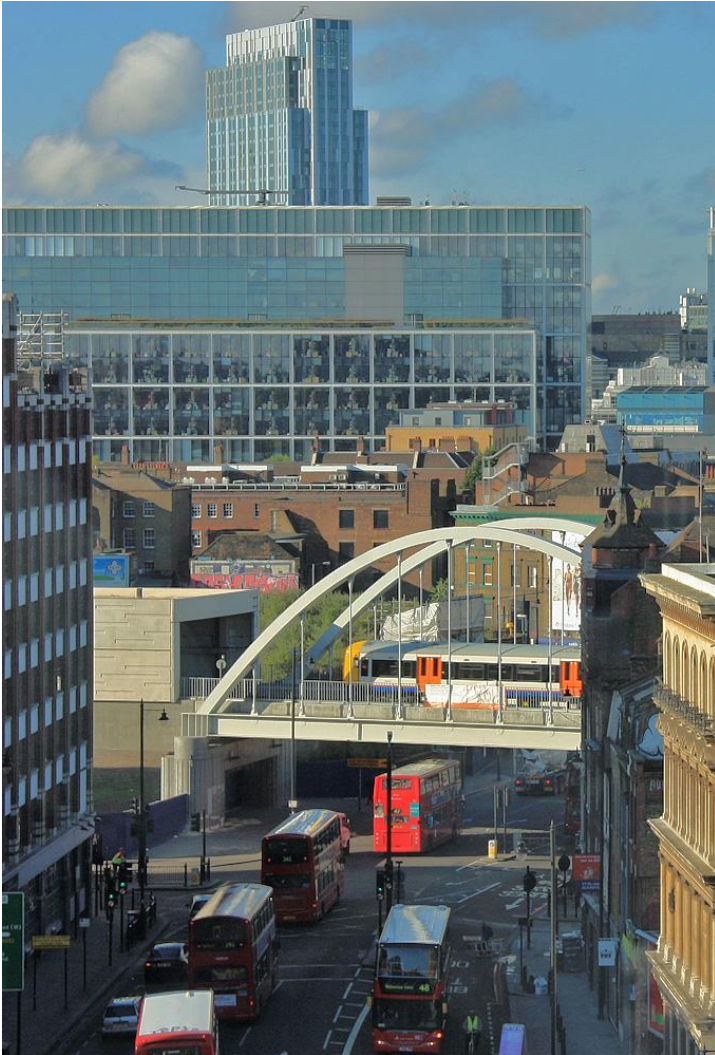
Funding & Finance for State of Good Repair in European Transit Systems



FTA 2nd SGR Roundtable
Chicago, July 23, 2010

Glen Tepke, Metropolitan
Transportation Commission
Oakland, California

Study Mission Questions



How is the public transport system funded? What types of non-fare revenues do you have?

Who sets fares and pricing policies?

How do you build your capital/maintenance budget?

How has the current economic situation affected operations and maintenance?

Study Mission Questions

How do you address the gap between reinvestment needs and available funding?

How do you overcome cycles of underinvestment?

What types of financing tools do you use?

What is your experience with public-private partnerships?



Funding & finance take-aways



Funding for SGR a universal challenge - everyone has backlogs or shortfalls

Wide variety of funding sources and structures resulting from local/regional initiatives

Varying roles for national government - including very limited roles

Mixed results from privatization - including failure

Funding for SGR a universal challenge

London Underground

- ▶ History of start & stop funding - £1.5B SGR backlog

Strasbourg CTS

- ▶ Extensive tram system reaching mid-life, starting to face SGR issues



Nottinghamshire Transport

- ▶ Economic downturn and change in national government - loss of expected funding for station rehab

Funding for SGR a universal challenge

Oslo KTP

- Focus on expansion in toll revenue plan required second toll increase for maintenance

Berlin BVG

- Major investments to upgrade East Berlin equipment to western standards after reunification compete with SGR needs



Varied funding sources & structures

Strasbourg CTS

- ▶ Employer tax major source for operations, maintenance, expansion
- ▶ Rates 1.0-2.6% of payroll
- ▶ Started as pilot in Paris, expanded to most large to medium-sized cities



Varied funding sources & structures



Transport for London

- ▶ Congestion management toll - £140M/year profit - 80% to bus operations & maintenance, 20% to green initiatives

Oslo KTP

- ▶ Tolls on urban ring highway tied to packages of road and transit projects

Nottinghamshire Transport

- ▶ Private bus operator costs for commuter service covered entirely by fares

Varying roles for national government

Transport for London

- ▶ Central government grant - £40B over 10 years - covers half of operating and capital
- ▶ But no ongoing funding programs for transit capital - competes for general funding



Germany

- ▶ Cities and states provide most funding for SGR

Varying roles for national government

Oslo KTP

- ▶ Toll schemes regional initiative

France

- ▶ Employer tax established and administered regionally
- ▶ Tax rate limited by national law but set by regional transportation authorities
- ▶ National government focuses on high-speed rail



Mixed results from privatization

London, Nottingham & Oslo

- ▶ Buses maintained by private operators - standards set in contracts



Nottingham Express Transit

- ▶ New tram line with finance-design-build-operate-maintain PPP
- ▶ Private debt and equity covered 90% of capital costs
- ▶ Consortium sets fares, receives fare revenues and performance payments

Mixed results from privatization

London Underground

- ▶ Three PPP contracts with two private firms (Infracos) for maintenance /renewal of entire system 2002-03
- ▶ 30-year contracts, renewal options every 7.5 years
- ▶ Infracos receive fixed payments with bonuses or penalties for performance in improving reliability, capacity, travel time, cleanliness, quality
- ▶ Means of meeting performance targets up to Infracos



Mixed results from privatization

London Underground, continued

- ▶ Metronet bankrupt in 2007, bought and absorbed by Transport for London
- ▶ Tube Lines contract terminated at first renewal point - £2B apart on costs for second 7.5 years
- ▶ Infracos relied on change order process to recover costs
- ▶ Major costs for London Underground to take maintenance/renewal functions back in-house

