



**Innovative Financing for Transport
Schemes:
A European reference resource**

**Briefing Paper 5
Employer Levies -
Versement Transport
September 2015**



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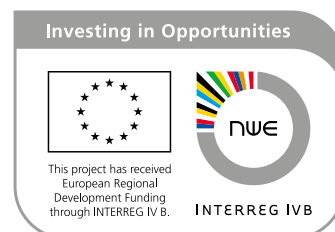
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Sustainable transport for North-West Europe's periphery

Sintropher is a five-year €23m transnational cooperation project with the aim of enhancing local and regional transport provision to, from and within five peripheral regions in North-West Europe.

INTERREG IVB



INTERREG IVB North-West Europe is a financial instrument of the European Union's Cohesion Policy. It funds projects which support transnational cooperation.



Working in association with the POLIS European transport network, who are kindly hosting these briefing papers on their website.



Report produced by University College London

Lead Partner of Sintropher project



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Background

This briefing paper is one of a series that together comprise a European reference resource for innovative approaches to financing transport schemes (capital costs) with particular reference to light rail and tram-based schemes in cities and regions. The approaches are also relevant to capital financing of transport schemes generally.

The resource is one of the Investments undertaken for the Sintropher project funded under the INTERREG IVB North West Europe Programme for transnational co-operation. The overall aim of Sintropher project is to develop sustainable, cost-effective solutions to improve connectivity to, from and within poorly connected regions in North-West Europe - to use innovative transport links to connect peripheral regions of NWE with the core European transport network of high-speed trains, via effective interchange hubs.

There has been a particular focus on tram-train systems which allow local trams to run on to national rail networks, pioneered in Germany, firstly in Karlsruhe and developed in Kassel, which allow urban tram systems to extend over national rail tracks to serve extensive city regions. The project has also looked at other innovative forms of tram systems such as single-track tramways, as well as high-quality transport interchanges that link such systems to major national or transnational rail or air hubs.

The project began in late 2009, with fourteen partner agencies in five EU Member States, and lead partner University College London (UCL): Valenciennes (France); the Fylde Coast (UK); West Flanders (Belgium); North Hesse (Germany); and Arnhem-Nijmegen (Netherlands). Participants included public transport operators, local authorities, regional transport agencies, and universities.

They have worked together on a series of feasibility evaluations, pilot investments and demonstration projects, as well as comparative analyses of EU best practice. The total budget is more than €23m, with funding part-financed by the EU's INTERREG IVB Programme.

A €1.5m project extension in 2014, covers follow-on work to capitalise on results from the initial project, and added a fifth objective: to test technologies for low cost transport links in different territorial contexts, plus integrated territorial corridor plans that help these links unlock wider economic and regeneration benefits; and better recognise these in business cases. This included two new partners (total now 16) and two extra demonstration regions (total now 7) in West Flanders Brugge-Zeebrugge (Belgium) and Saar-Moselle (a cross-border region France-Germany).

Innovative financing for transport schemes - increasingly important

Results in the European demonstration regions, plus topics at Sintropher Conferences and Workshops indicate that new tram-based or tram-train proposals are usually technically feasible and can often offer a reasonably positive investment case - especially if the case goes wider than conventional cost-benefit analysis (CBA) to include realisation of territorial objectives and benefits, such as economic growth and social opportunities.

But implementation can be impeded by lack of available funding due to cuts in public expenditure following the European economic crisis of 2008 and subsequent recovery efforts by national governments. Regions that are weaker in population or economic terms have even more difficulty in justifying an investment case in terms of public expenditure, so innovative financing is of growing importance - and much can be learned from approaches in different European countries.

Versement Transport

The Versement Transport (VT) is a dedicated employment levy placed on employers within a transit service area. It serves to levy yearly funds from businesses and employers, in order to build and maintain transport links with strong connectivity in the region. These funds gained directly finance public transport initiatives, thus encouraging the workforce to use high-quality public transport services to access places of work, and create high public transit interconnectivity within the region.

Between 1975 and 1982, the minimum population for implementation of the versement transport was fixed at 100,000. Consequently, regional boundaries underwent a shift in order to meet the minimum requirements. A common way of achieving this was through the creation of Autorités organisatrices de transports (AOTs) encompassing several smaller communes, and in the extension of périmètres de transport urbain (PTUs, "Urban Transport limits", i.e. essentially the edges of fare zones).

Financial Mechanism

Details of Funding

First established in 1973 in the Paris region, the concept of versement transport was extended to all communities of over 300,000 people. In 1974, versement transport was amended to include communities with populations in excess of 100,000; in 1982, to those over 30,000 (the Administration Territoriale de la République law); and in 1999 to those over 10,000 (the Chevènement law). The money is directly placed under the authority of the local urban transport authority.

France Funding Examples

The versement transport rate is variable depending on the size of the population in the PTU. Since 2011, France limits the charge to 0.9% for PTUs with fewer than 100,000 inhabitants. Larger metropolises such as Paris and the Département of Hauts-de-Seine charge up to 2.6%. However, an AOT can set its tax at 1.75% if it provides the service itself (a "transport en commun en site propre") rather than contracting it out. Furthermore, an extra 0.05% may be raised if the AOT is a Communauté de communes (a grouping of municipalities), a Communauté d'Agglomération (a type of metropolitan government structure), or an urban community (Communauté urbaine). These types of regions are highly specific to France; however, similar structures exist elsewhere, such as metropolitan regions and rural community groupings in North America. Since July 2010, another 0.2% may be raised if at least one commune in the PTU is classed as a tourist destination.

Deductions and Exemptions

Employers who begin below and grow to exceed the threshold of nine employees are exempt from paying transport tax for three years and receive a discount of 75% the fourth year, 50% the fifth year and 25% in year six.

Attractiveness

- Strong transport benefit that facilitates access to the workplace and well-connected public transport for all
- Increased property values along public transport corridors, through land value uplift and improved transport connectivity
- Direct investment in public transport allows an ensured amount of public capital to aid in continual public transport provisions
- Variable rates in versement transport levies allow for flexibility to meet unique project and municipal needs, depending on the regions and the businesses within them

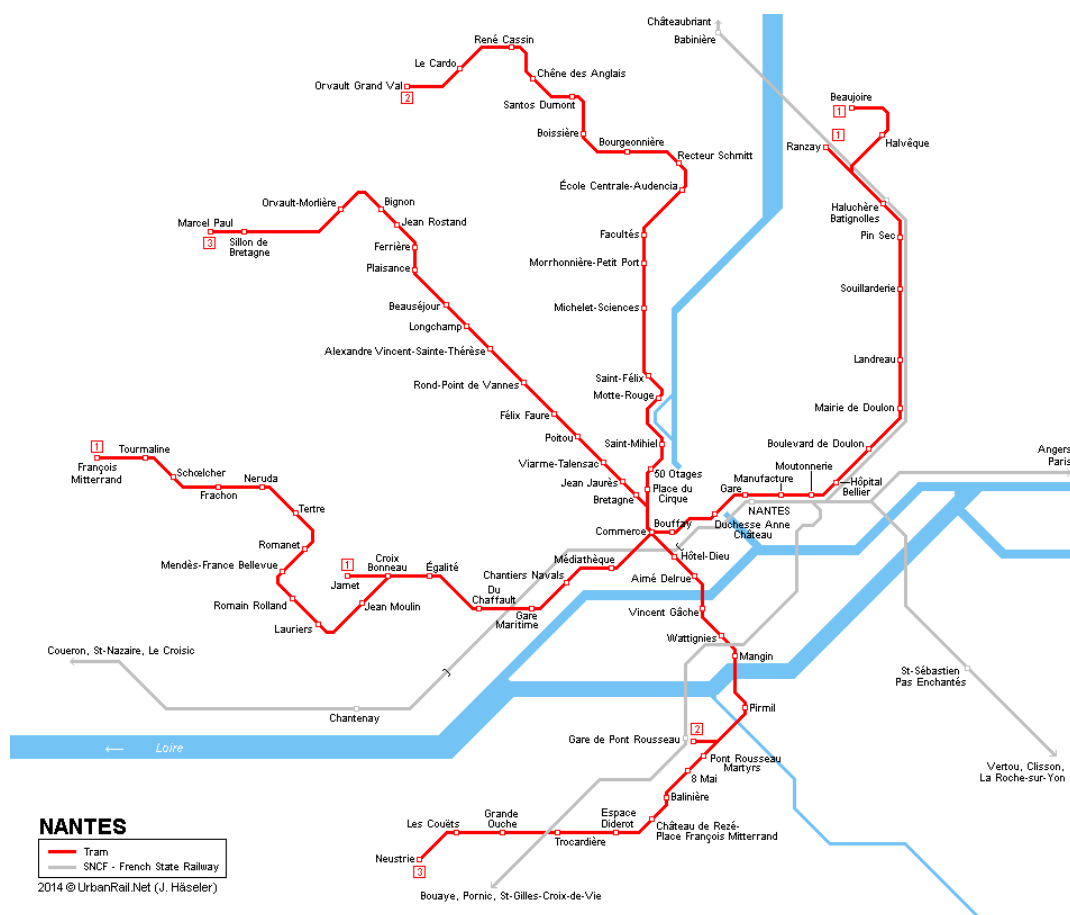
Risks

- Impacts company/corporate decisions to locate or stay within versment transport borders
- Public acceptance is uncertain, depending on area of implementation
- **NB – generally more acceptance in areas that place high value on public transport, while generally less acceptance in regions that are traditionally car-dependent or car-focused
- May require higher levels of government involvement in order to facilitate implementation
- Possibility of tax transfer onto company employees (NB: can be solved through preventative regulation)

Track Record

The versement transport is a French-based initiative that has not seen high levels of uptake outside the country. One example exists in North America, where a special 0.6% payroll tax is collected from most employers in the Portland and Eugene Oregon regions to help directly finance public transport services. While not related to the versement transport, workplace charging such as Workplace Parking Levies are starting to be promoted as viable options for transport funding and deterrent mechanisms for drivers. However, these schemes still realise a low level of employer and public satisfaction, whereas versement transport is accepted as best practice in France. Furthermore, these variations have not been directed at public transport initiatives specifically, but rather at road upgrades and more general transport schemes. Versement transport provides a direct source of public funds dedicated to public transit provision and improvements.

Versement Transport Case Study: Nantes, France



Financial Specifications

Amount(s)

£100 million (for the initial line segment)

Further line extensions have been added in years since

Targeted Groups

Employers with over 9 employees in the company

Timeline

Implemented 1973

Tandem Financing Methods

Ticket sales (37.4%) (GART 2008)

Line/Project	Status	Costs	Alternative Finances Used In Tandem	Timeline	Ridership
Nantes Tramway	Complete	£100 million (initial line segment only)	Ticket Sales	Completed 1984 Extensions planned	68,000 per day

TABLE 1 Light-Rail Systems in France

Locality	Year System Opened	System Length	High/Low Platform	Type & No. of Vehicles	Vehicle Builder	Total Cost (\$ millions)	Patronage/ Day	Future Plans
Paris (Ste. Denis-Bobigny)	1992	9.0 km	Low	Low Floor (20)	GEC Alsthom	121	63,000	Extensions proposed
Paris ¹ (Val de Seine)	1997	14.1 km	Low	Low Floor (20)	GEC Alsthom	280	41,000 (Projected)	Extend along Petite Ceinture; other routes planned
Nantes	1984	27.0 km	Low	Modified Low Floor (20) Low Floor (26)	GEC Alsthom	100 ⁴	68,000	Additional extensions planned
Grenoble ²	1987	18.4 km	Low	Low Floor (53)	GEC Alsthom	120	85,000	Additional extensions planned
Rouen	1994	11.2 km	Low	Low Floor (28)	GEC Alsthom	480	45,000	Additional extensions planned
Strasbourg ³	1994	9.8 km	Low	Low Floor (26)	ABB	388	57,500	Additional extensions planned
Lille	1909	19 km	Low	Low Floor (24)	Breda	240	28,500	Modernization completed
Ste. Etienne	1901	9.3 km	Low	Low Floor (27)	Vevy/Duewag	NA	95,000	Modernization continues
Marseille	1911	3 km	Low	Conventional	La Brugeoise	NA	35,000	Single line may form basis for expanded system

¹Initial segment to run to Issy-Plaine

²Includes extensions to line A & B scheduled to open in 1995 & 1997 respectively

³Full service inaugurated in February 1995

⁴Cost for initial line segment only

Note: Total cost converted to USD @5FF=\$1

Why the mechanism was chosen in Nantes

- Wide uptake across France in early 1970s when concept was first introduced
- Known for using 'push and pull' methods to dissuade car usage and encourage modal shift away from the personal vehicle; VT has helped fund public transport

Benefits

- Provides majority of funding for public transport initiatives
- Encourages perception of most sustainable city in Europe (awarded in 2013)
- Long-term stable funding flows into public purse

Drawbacks

- Reliance on VT for public transport funding, means less flexibility on fund sourcing and partnerships
- Requires high level of government support to implement and to amend rates
- This is accepted and supported in France, but outside France this could present a barrier to implementation

Assessment

As a funding mechanism, versement transport has consistently provided strong funding opportunities for public transport initiatives, and is a strong option for municipalities. Yet, it is a specifically French method of funding, with large public support due to an ingrained appreciation for public transit and transport best practice.

Elsewhere, public transport is increasingly becoming valued and desired, but is not yet at the engrained level that exists within France. Existing workplace-targeted schemes have begun to see positive responses from government officials (while public opinion remains clouded). So versement transport is increasingly a viable option for municipalities of varying sizes, provided that the mechanism is customized for the location.

Success of Financial Mechanism

Versement transport offers a steady influx of financing from employers within transport authority boundaries, making it an ideal source of funding from the pockets of those who will highly benefit from the transport end product. With easily monitored rates that can be tailored to meet the needs of regions, versement transport has seen successful outcomes in most of its public transport endeavours.

It is important to note that the success of versement transport in funding public transit depends on the priorities of the government and transport authorities. In areas where public transit is prioritized (such as its birthplace in France), versement transport provides a direct source of funds for transit schemes. If implemented in regions where roads and vehicle usage are more of a focus, the approach is not guaranteed to provide direct funds for public transport without bylaws and government/authority support. Once again, this stresses the fact that versement transport would need to be customized for the region in question, but could easily work provided positive government support backed and guided the financing method.

Public Perception

Versement transport in France has been widely accepted, and has been ingrained as a go-to funding method for public transport schemes since the early seventies. However, public transport has generally been accepted positively in European regions, with less car dependence and a history of organic town growth, thus promoting transport modes such as walking, cycling, and integrated public transit. In car-

dependent regions such as North America, public opinion tends to lean towards a negative view, where versement transport may be seen as an additional non-necessary cost for employers.

Future Prospects and Transnational Relevance

- Versement transport uptake seems to be culturally dependent, with cultures focused on strong public transport and alternative modes of transport generally having a more positive reaction to the implementation
- This makes it difficult to gain political backing in areas that are less concerned with public transport
- Potential to implement across both small and large metropolises, making it a desirable funding option
- However, requires strong political backing from multiple levels of governance

Current employer levies exist in Oregon, USA; however, these are the only examples outside of France to successfully bring about a versement transport scheme that directly funds public transport.

Transnationally, versement transport is an excellent option that not only provides stable funding over long periods of time, but also influences modal shift and an uptake of public transport in cities that would otherwise not consider public transport as essential or priority. The USA has recognised the Oregon example as a pioneering funding option; however, little uptake elsewhere has happened.

Transnational relevance: Europe-wide

Funding of major transport schemes is an issue faced by many cities and regions across the North West Europe Programme area and indeed more widely across Europe. Traditionally, in most countries tram-based links have been financed by public funding from national or regional government authorities, sourced from either taxation or borrowing or a combination. (In regimes where there is a national or regional transport infrastructure authority, operating profits may also assist).

But as with Sintropher partners, implementation of such schemes is facing a lack of available funding due to cuts in public expenditure following the European economic crisis of 2008 and subsequent efforts by national (or regional/city) governments, to recover. So innovative financing is of growing importance, and much can be learned from approaches in different European countries.

The financing approaches and city/region case examples on the reference resource are context-specific and reflect:

- the geographical context: the physical scale of the scheme and scale of capital cost. Obviously a major scheme with high capital cost of, say, €50m + may be beyond the resources of a single city or regional authority, and require a national contribution in a “cocktail” approach. The investment case will usually be stronger in a major dense metropolitan area than smaller regions with lower population and (possibly) lower or weaker economic activity.
- the organisational context: which level of government and/or relevant transport authority or agency is the primary initiator of the scheme - national, regional, or city - will influence the financing opportunities and options available.
- the legal context: the nature and extent of the powers and responsibilities of the initiating authority, and the processes/procedures, to actually pursue any of the financing approaches.
- But even though the various approaches and case examples are context-specific, their transnational relevance is strong:
- the approaches offer a stimulus and possibilities for wider thinking by cities and regions in other European countries, about how to assemble capital financing for transport schemes,
- in all countries, the reality of capital finance for transport infrastructure means that a “cocktail” approach is often the most practical way forward - and the approach of mixed public-private sector finance is an increasingly pragmatic basis

- some or all of the various approaches might be potentially adaptable within the particular organisational and governance regime of another country, using similar powers or processes
- the approaches offer possibilities for lobbying by city and regional authorities, in order to secure from national government the powers and competences to utilise new approaches (as has happened in the UK - for example local authorities have in recent years acquired powers to implement tax increment financing (TIF) although subject to safeguards over risk and borrowing; similarly, powers to enact a community infrastructure levy (CIL) on developments in their area, subject to local consultations and examination of viability and fairness for private developers.

The reference resource should be seen from this perspective, as a means to promote knowledge transfer and learning across different NWE countries and regions.

Further information

This paper was produced by UCL Bartlett School of Planning (Sintropher team members Charles King, Giacomo Vecia, Imogen Thompson) using desk research and expert comment. The paper reflects the views of the authors and should not be taken to be the formal view of UCL or Sintropher project.

The European reference resource can be accessed on the following:

Sintropher project website

<http://www.sintropher.eu/publications>

POLIS website

<http://www.polisnetwork.eu/sintropher> or <http://www.polisnetwork.eu/res/resources>

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