Fare-free public transportation

In increasingly congested urban centres where cars account for an overwhelming share of journeys, municipalities are seeking a way of promoting the modal shift from the car to public transportation. In recent years, cities have considered making public transportation free of charge. In France, Châteauroux, Niort and Dunkirk have made their transportation networks free to use, as have Tallinn and Luxembourg.

The first question raised by free transportation is semantic. The term “free” is misleading in several respects. While the service has no price, it still has costs. This is why the expression “fare-free” is more correct: the transportation service is only relieved of the requirement of purchasing a ticket. Secondly, “free” is vague in economic terms: it covers several very different types of funding ranging from the temporary waiving of a price (which limits the cost of the measure while attracting users) to a “free” service paid by taxes or other levies, in which case the free service provided is considered to be an element that benefits the service provider. This latter case can be illustrated by Waze, which offers a free service for users as it is financed through advertising. In short, in the case of fare-free transportation, the cost of the measure will be borne by others. The next question to be asked is therefore: who pays?

→ IN FRANCE, THE ROLE PLAYED BY THE ‘*VERSEMENT MOBILITÉ*’ EMPLOYER CONTRIBUTION IN FARE-FREE TRANSPORTATION

If going fare-free did not have the devastating effects on mobility funding that were expected in the French towns that implemented this, it is because ticketing only accounted for a small portion of the network’s budget. In Niort, for example, the sale of fares only covered 10% of network costs. In Dunkirk, where revenues from ticket sales peaked at €4.5 million per year, this loss was offset by an increase in the *versement mobilité* (VM - employer mobility contribution) rate[234], which has replaced the *versement transport* (VT) contribution since the entry into force of the Framework Mobility Act (LOM) in 2019. This tax contributes to funding public transportation and is payable by public- and private-sector employers with eleven or more employees. Its rate, which it set by the mobility authority, may not exceed a ceiling which varies according to municipality size. It ranges from 0.55% for municipalities with 10,000 to 50,000 inhabitants to 2.95% for the municipalities of Paris and the Hauts-de-Seine département. This rate applies to the gross payroll under the scope of the urban transport plan (PTU).

In other words, the loss of revenue resulting from fare-free travel has been offset by increasing the VM rate. Not everyone can roll out such an operation. It is difficult to implement in other urban situations in which network costs are much higher and in which the VM is already at a higher rate (2.95% in Paris and the Hauts-de-Seine département).

In Paris, revenues from users account for slightly less than €3 billion. However, unlike smaller urban areas, a major city such as Paris cannot rely on an increase of the VM to offset the loss of revenue resulting from going fare-free without adversely affecting company competitiveness.

→ IN TALLINN, FARE-FREE TRAVEL IS FUNDED THROUGH TAX REVENUES

Tallinn has often been used as an example in debates on this measure. In 2013, the capital of Estonia became the largest city (slightly less than 450,000 inhabitants) to make its transportation system fare-free. There are a few conditions, however: to be able to travel on Tallinn’s public transportation network without paying for a ticket, you must live in the city, as this measure only applies to residents within the city boundaries. Fare-free travel therefore aims to increase Tallinn’s attractiveness. The measure has enabled Tallinn to reach its goal: between 2013 and 2016, 25,000 additional inhabitants were recorded. The corollary of this increase in the city’s population is the increase in local tax revenues which cover the cost of fare-free travel[235].

Funding this measure through tax revenues is justified by the fact that fare-free travel benefits all users: it makes public transportation more attractive and contributes to reducing car traffic. This means that car users also benefit as the measure cuts their journey times by reducing congestion.

→ FARE-FREE TRAVEL, A COMPONENT OF A HOLISTIC POLICY

The implementation of fare-free public transportation in large urban areas does not have a major effect on road traffic and is not a long-term means of ensuring public transportation development. The example of Niort shows that this measure may not have the expected results if the transportation offering is reduced at the same time. In addition, fare-free travel can have adverse side effects for the transportation network, including a deterioration of service quality, for example. Similarly, it encourages inappropriate uses of public transportation (short distances, etc.). By doing so, fare-free travel misses its target public and instead attracts pedestrians and cyclists, which results in an early saturation of the network while failing to reach the objective of reducing the car’s modal share[236].

However, these measures may be incorporated in a broader mobility strategy provided that investments are made to step up the public transportation service. It is against this particular backdrop that Luxembourg decided to make its public transportation network fare-free[237]. In January 2019, the Luxembourg Ministry of Defence, Mobility and Public Works announced a major plan to make Luxembourg a “laboratory for 21st century mobility”. This announcement included a series of measures regarding the introduction of fare-free public transportation to step up competitiveness in a country in which cars are used for 69% of journeys. The announcement did not go unnoticed. Luxembourg has become the first country to make all of its public transportation fare-free.

However, fare-free public transportation is not an end in itself for Luxembourg. It is part of the “Modu 2.0” strategy launched by the Grand Duchy in 2018 with a view to reducing the modal share of cars and increasing that of public transportation[238]. This strategy, which the Deputy Prime Minister calls a “multi-modal revolution”, can be broken down into a series of investments and projects to be rolled out gradually until 2027. Luxembourg will invest €3.2 billion until this deadline to improve the capacity of its rail network, increase the capacity of its park & ride systems and develop its network of cycle lanes and carpooling.

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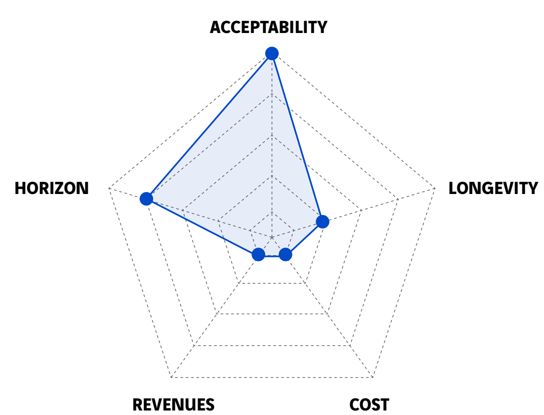
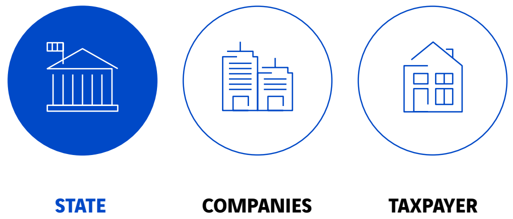


Who pays?



What scale of implementation?