

# Financing Public Transport in Germany

## **Part A: History and Current Regulations**



**Report to the Work Group on Green Travel under the China Council for International Cooperation on Environment and Development**

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The presentation is split into three parts

## **PART A: History and Current Regulations**

PART B: Case Study Frankfurt

PART C: Case Study Berlin

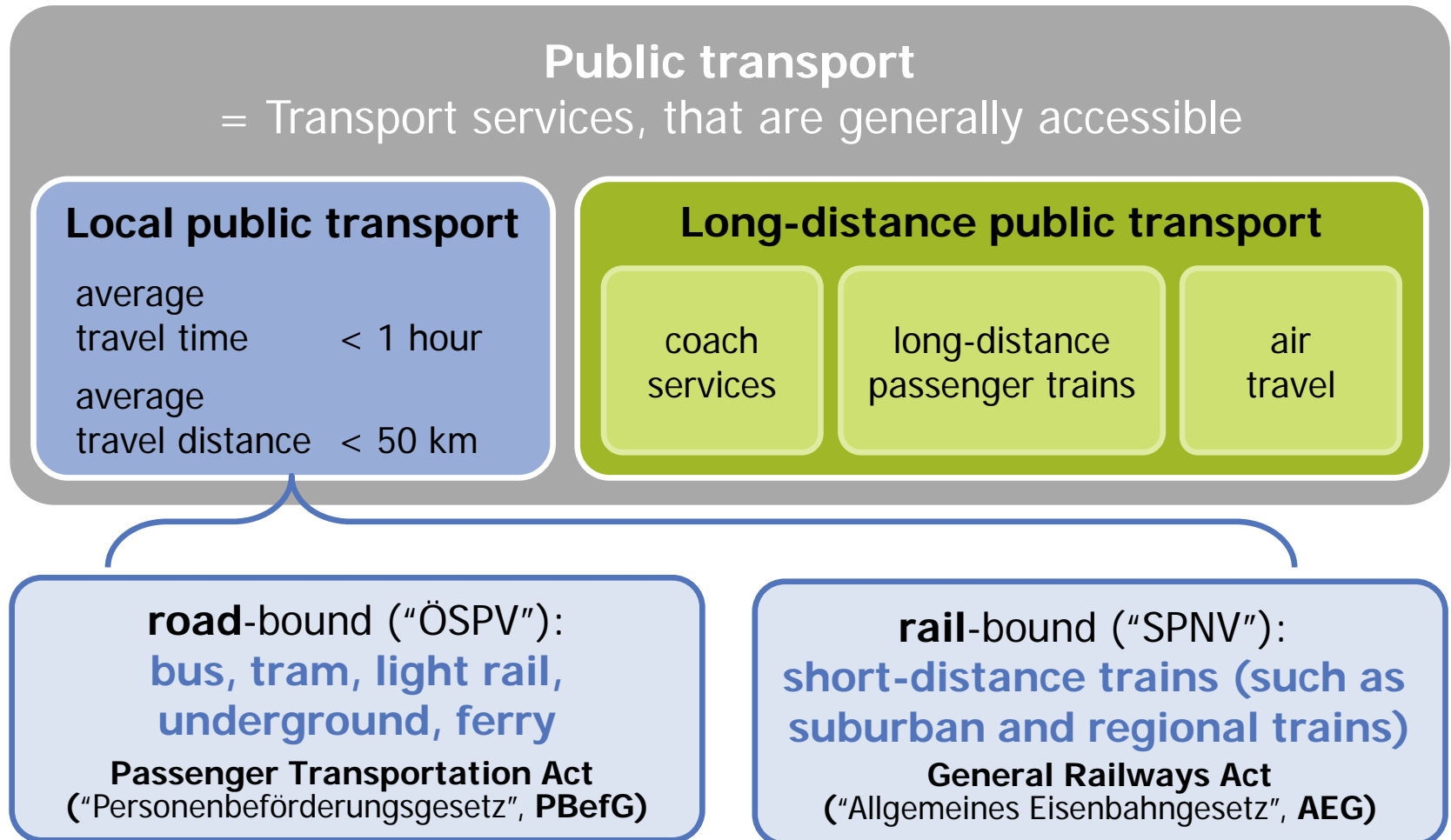
Structure

## History and current regulations

- 1. Definition of public transport (PT) in Germany**
2. Organisation of public transport services
  - Levels involved, key questions and definitions
  - Background
  - Market organisation today
3. General information on public financing of public transport
4. Differences between both case studies

# 1. Definition of public transport in Germany

## Legal definitions (1)



# 1. Definition of public transport in Germany

## Legal definitions (2)

### Public transport

= Transport services, that are generally accessible

#### Local public transport

average  
travel time < 1 hour  
average  
travel distance < 50 km

#### Long-distance public transport

coach  
services

long-distance  
passenger trains

air  
travel

**road-bound ("ÖSPV"):**  
**bus, tram, light rail,**  
**underground, ferry**

**Passenger Transportation Act**  
(**"Personenbeförderungsgesetz", PBefG**)

**rail-bound ("SPNV"):**  
short-distance trains (such as  
suburban and regional trains)

**General Railways Act**  
(**"Allgemeines Eisenbahngesetz", AEG**)

## Structure

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## 2. Organisation of public transport services

### Levels involved, key questions and definitions

<p><b>Policy Level</b></p>	<p><b>Key question: What do we want to achieve?</b></p> <p><b>Definition of the General goals:</b> Transport policy, market share, profitability/public transport budget</p> <p><b>General definition of the services:</b> Area, target groups, intermodality</p>
<p><b>Management Level</b></p>	<p><b>Key questions: How are we going to achieve that? What services do we need?</b></p> <p><b>Definition of the detailed service characteristics:</b> Fares, personnel skills, image &amp; additional services, vehicles, routes, timetable etc.</p>
<p><b>Operational Level</b></p>	<p><b>Key questions: How do we produce the service? How to manage it?</b></p> <p>Selling activities, information to the public, infrastructure management, vehicle rostering, personnel rostering &amp; management, cost controlling etc.</p>

Source: based on van de Velde 2001

## 2. Organisation of public transport services

### Historical background

In the past years legislation on PT has changed considerably:

- Since 1996 the 16 states are responsible for management, awarding and financing PT.
- Since then, award and provision of PT are split between the PTAs and the operators.
- A further split between political decisions and management of PT leads to **three distinct levels in the organisation of PT: strategic, tactical and operational.**

The case studies focus on the medium (tactical) level. Approaches to its implementation differ regionally:

- **traffiQ**: first case study **Frankfurt**,
- **CNB**: second case study **Berlin**.



## 2. Organisation of public transport services

### General facts

#### Germany

- 82 million inhabitants, 360.000 km<sup>2</sup> → 229 inhabitants per km<sup>2</sup>

#### Federal parliamentary republic – Levels of government

- 16 federal states
  - 403 districts (2009)
    - 301 rural districts
    - 102 urban districts
  - municipalities
- states differ widely in size and population!
- municipalities differ widely in size and population!
- | Level        | Entity    | Area (km <sup>2</sup> ) | Population (millions) |
|--------------|-----------|-------------------------|-----------------------|
| State        | Hesse     | 21.000                  | 6.1                   |
|              | Berlin    | 892                     | 3.5                   |
| Municipality | Frankfurt | 248                     | 0.7                   |
|              | Berlin    | 892                     | 3.5                   |

#### Market share of municipality-owned operators

(Source: Federal Statistical Office)

- bus operators: 79 % of all passengers; 69 % of all vehicle-km
- tram operators: 99 % of all passengers; 99 % of all vehicle-km

## 2. Organisation of public transport services

### Federal states as a matter of decentralisation

- Federal states are responsible for financing and organising public transport.
- All states – with exception of the three city states of Bremen, Hamburg and Berlin – delegate responsibility further to urban and rural districts.
- Districts can cooperate or can delegate responsibility to a joint institution.



## 2. Organisation of public transport services

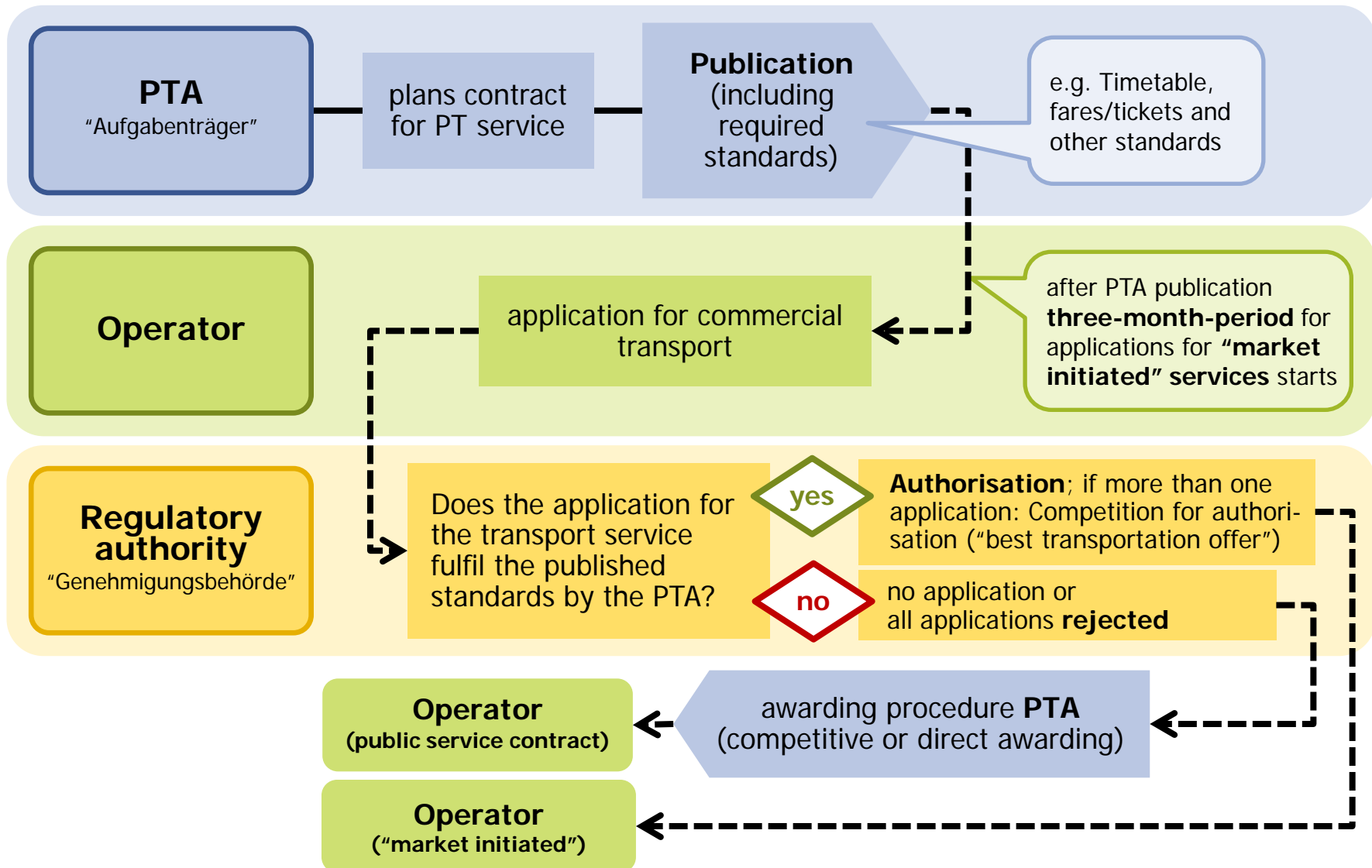
### Market organisation today

#### German “multi-authority” regulation and funding

- In general, market entry depends on authorisation and, if subsidies are necessary, on the successful award of a contract.
- **Two different public authorities** are responsible:
  - the **regulatory authority** (“Genehmigungsbehörde”) for authorisation,
  - the **public transport authority** (PTA, “Aufgabenträger”): for awarding respectively contracting.
- The general interaction of these authorities and operators is shown on the next slide.
- The authorisation results in a **de facto-exclusive right**.
- PT **funding** comes from different sources, on the basis of different legal sources or even informal funding (see below).

## 2. Organisation of public transport services

### Interaction of authority and operator initiative

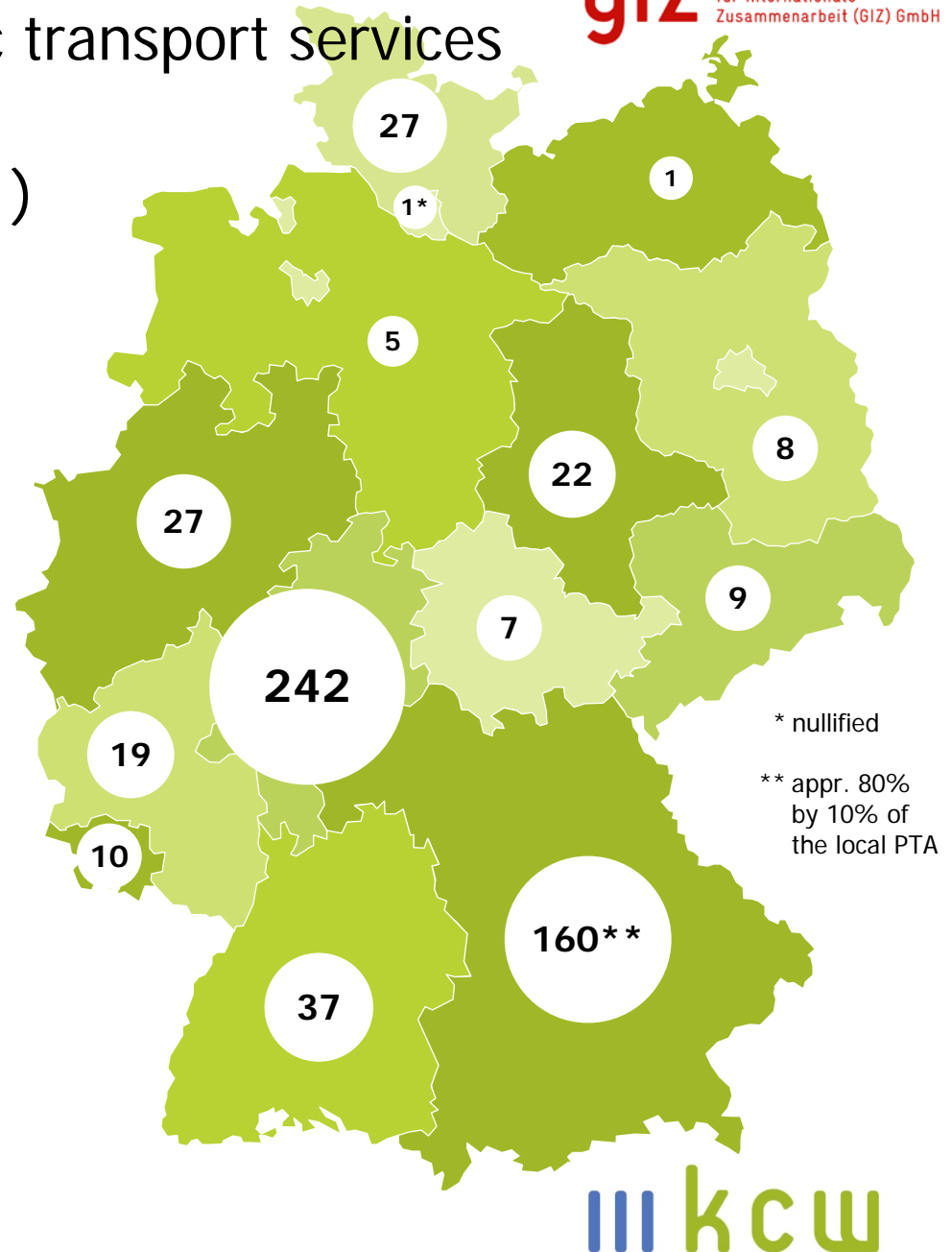


## 2. Organisation of public transport services

### Huge differences between the states (1)

#### Competitive awarding procedures

- The figures show the distribution of such procedures published in the Official Journal of the EU by 31<sup>st</sup> December 2012.
- They include competitions for authorisations which were initiated by the PTA.



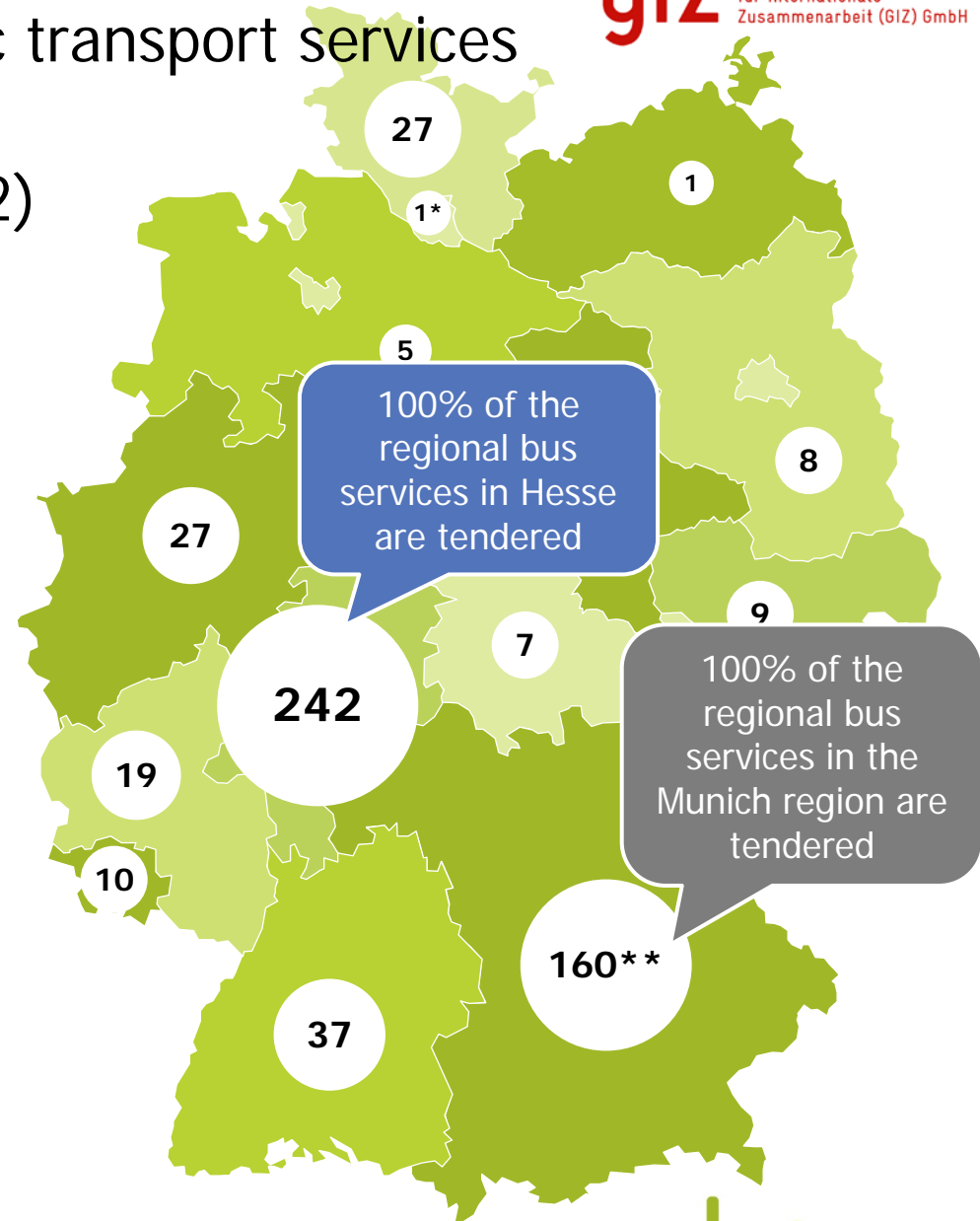
Source: Own research, KCW GmbH 2013

## 2. Organisation of public transport services

### Huge differences between the states (2)

#### Competitive awarding procedures

- The figures show the distribution of such procedures published in the Official Journal of the EU by 31<sup>st</sup> December 2012.
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Source: Own research, KCW GmbH 2013

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### 3. General information on public financing of PT

## General remarks

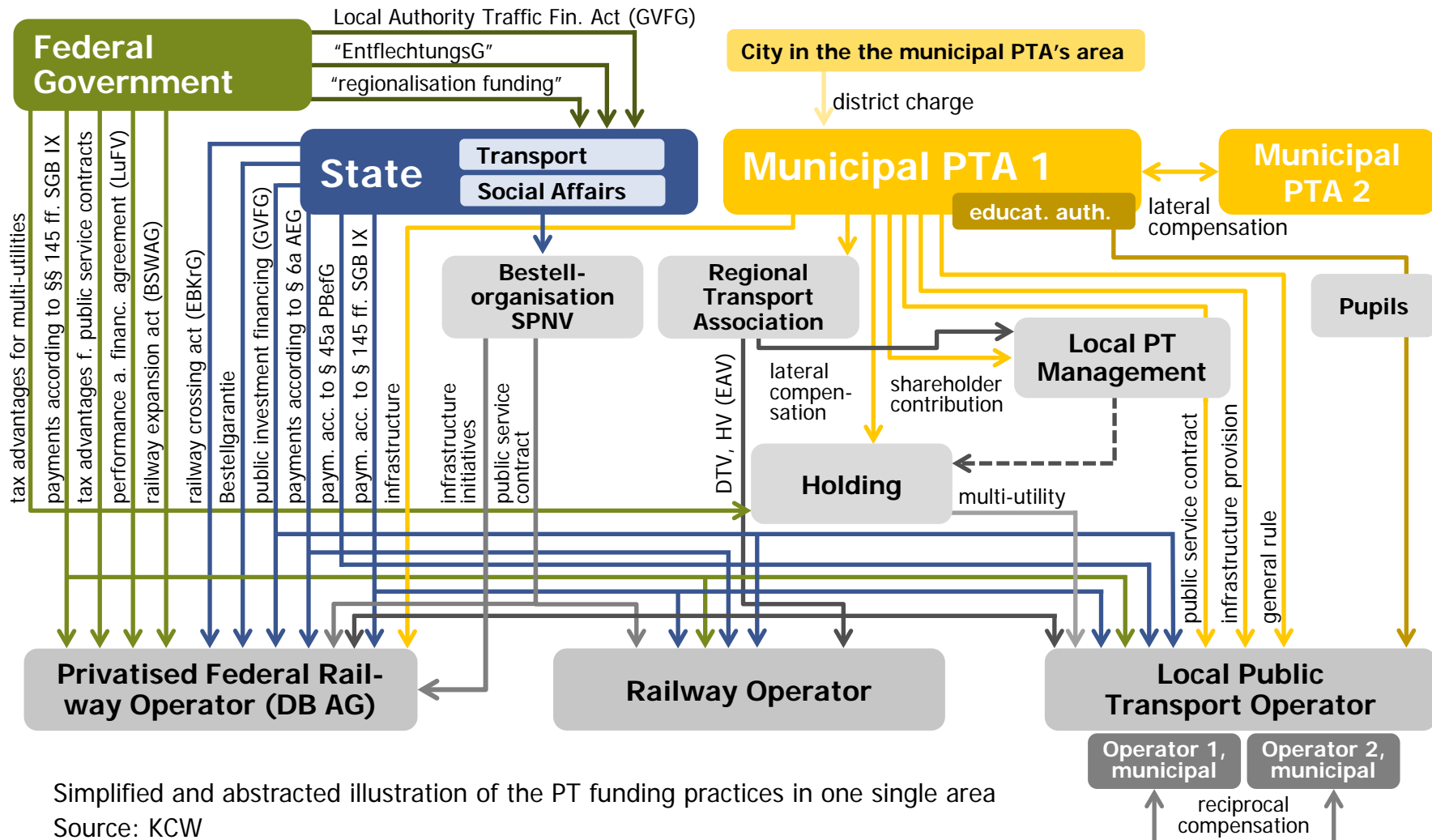
All in all, financing of public transport in Germany is characterized by

- a complex system of different financial sources and instruments, earmarked funds and responsibilities of several stakeholders (see following slides).
- The complexity, lack of transparency and possibilities of inefficiencies and windfall gains are debated and criticized continuously.
- Some federal states implemented finance reforms in the recent past, to rearrange and simplify their financing structures.



# 3. General information on public financing of PT

## Financing practice in Germany (traditional)



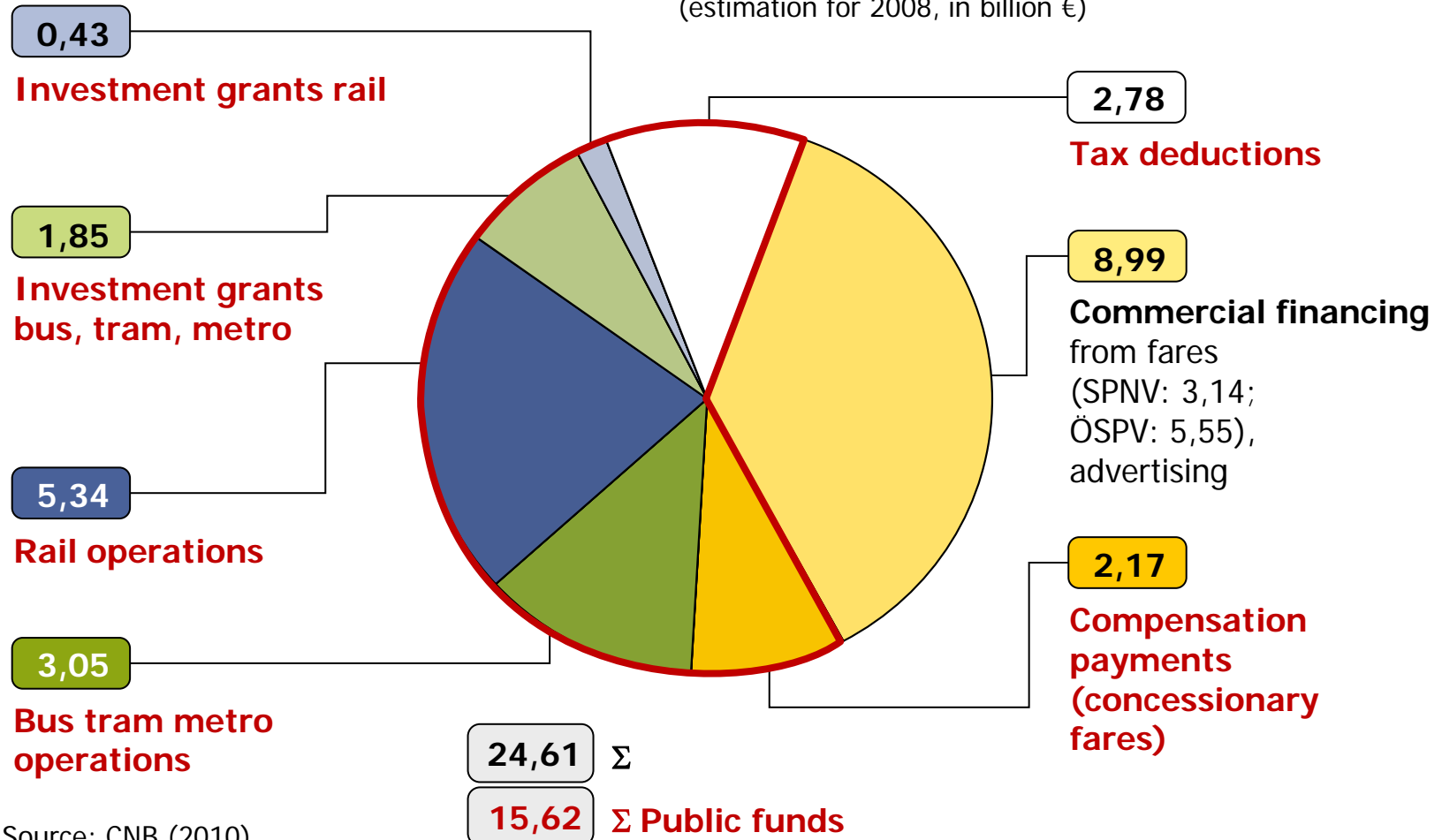
Simplified and abstracted illustration of the PT funding practices in one single area  
 Source: KCW

### 3. General information on public financing of PT

## Funding practice in Germany

#### PT financing in Germany

(estimation for 2008, in billion €)



Source: CNB (2010)

### 3. General information on public financing of PT **Infrastructure investments**

Due to a lack of funds, to largely complete PT-networks and to complicated and time-consuming planning processes,

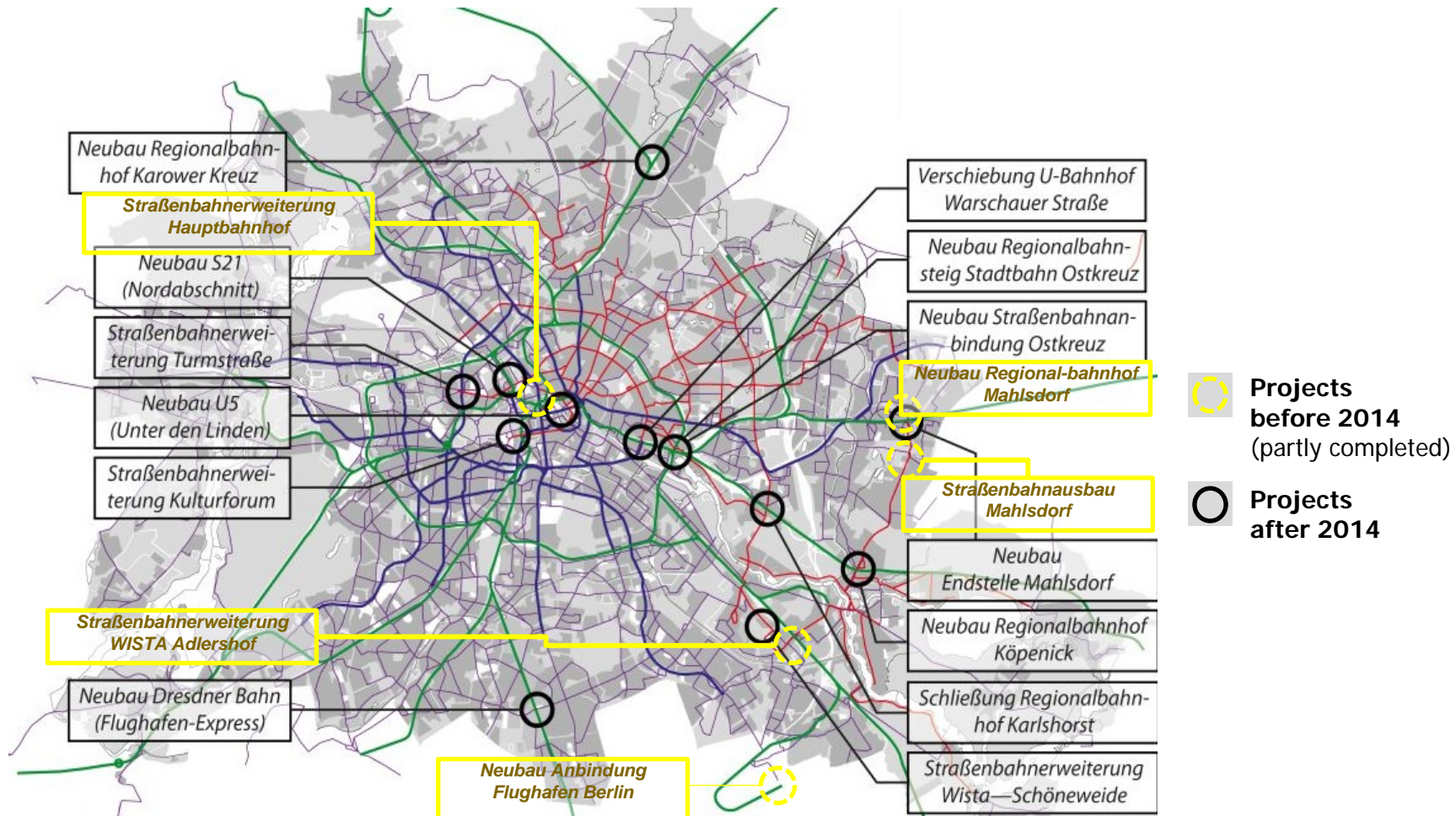
- in larger cities **only targeted investments** (see the following slide) are made, e.g. to construct the tracks for the
  - light rail "U 5" in Frankfurt: approved by city council in 2000, ready for use probably in 2020, or for the
  - underground-extension „U 5" in Berlin: agreed upon in the so-called "capital contract" in 1994, ready for use probably in 2019.

Due to infrastructure networks which have been built decades ago,

- in many smaller cities with declining population a **political debate** is going on, whether infrastructure has to be dismantled (in particular regarding tram services in cities with less than 100,000 inhabitants),
- in all cities focus is laid on an **intensified maintenance** of the infrastructure.

### 3. General information on public financing of PT

## Example of Berlin: only targeted investments



Source: CNB (regional train routes not shown)

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## 4. Organisation of public transport services

### **Differences between both case studies**

Although both traffiQ and CNB can be allocated on the medium, the management level of PT organisation, they show considerable differences, e.g.:

- traffiQ is a subsidiary of the PTA, the City of Frankfurt, whereas CNB is a joint venture of the consultancy KCW and the regional PT association VBB.
- traffiQ has been assigned sovereign duties of the PTA, whereas CNB does not have any decision-making power at all – it rather does only the preliminary work for the PTA.
- traffiQ has wide reaching decision-making competences regarding planning and marketing of PT (among others the management of the award procedure of PT contracts), whereas CNB is entrusted with controlling the services of the municipality-owned BVG (of which the services are directly awarded).
- traffiQ has wider range of responsibilities than CNB. Therefore, its staff outnumbers CNB staff by a 70 to 10 ratio.

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