

## How much does your municipality invest in traffic?

Worksheets to uncover hidden subsidies towards motorised private transport

### An ordinary day in Bumper-to-bumper-ville

Thursday, 5:30 PM, downtown Bumper-to-bumper-ville. Jamie S. heads home after work. She stays just 4 miles away, normally not a problem, if it weren't for the daily traffic jams. Jamie S. always asks herself why her municipality doesn't do more for the average driver. All they ever manage to do is to cash in on drivers through high parking charges, speeding fines and other expensive ways of punishing offenders.

This hot evening the traffic is particularly bad, and Jamie takes over 45 minutes to get home. That same night she writes a letter to her local councillor to complain about the situation. What bugs her most is that millions are spent on public transport annually, while new roads and parking spaces get forgotten. The city keeps on ripping drivers off.

But is this really true? Is Jamie correct in her judgement? How much income does a municipality have from traffic, and what are the expenditures? Are commuters with own cars not also subsidised, similar to public transport? The councillor found it difficult to reply to Jamie's complaint, as the municipality's budget did not say anything specific about subsidies towards motorised private traffic (MPT). Even the appropriate departments of the local authority were caught out.

### An ICLEI case study wants to help

Most municipalities would also not be able to answer Jamie's question whether road traffic pays for itself or receives subsidies. There are no headers in local budgets that list income and expenditure, they are tucked away in nearly all other subgroups in the budget.

The ICLEI European Secretariat has taken up the challenge and tried to seek out hidden subsidies in budgets of three major cities in Germany. At this point we would like to take the opportunity to thank the cities of Stuttgart, Bremen and Dresden for their co-operation and help. Based on this investigation, worksheets<sup>1</sup> have been produced to help all interested parties to systematically seek- and work out all income and expenditure involved in the MPT to make out hidden subsidies. This helps local authorities in their effort to make their budgets more transparent as well as accommodating the business management aspect of checking the cost/benefit side of individual budget posts.

The worksheets help political decision-makers, municipalities, environmental and traffic-organisations and not least concerned citizens to analyse the situation in their own city. It is this transparency concerning total income and costs of MPT that allows sound and appropriate decisions to be made when it comes to preferences in traffic-concepts and measures.

Quote of a City Treasurer:

*“ The expenditures related to motorised personal transport are not apparent in the municipality's budget. Knowing the real structure involved in expenditures towards traffic creates the necessary transparency and is the basis for proper decisions concerning traffic as well as budgetary measures.”*

City treasurer Hans Stradinger, Head of the City Treasury, Stuttgart, Germany

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<sup>1</sup> These worksheets are necessarily restricted to a German context, but ICLEI is certainly interested to extend the study to other European countries. Contact us if you want work with us on this issue!

### **How was the study conducted?**

Traffic, in its political context, is very important and simultaneously very controversially debated. Its explosive nature showed in the picking of three cities as test cases. At first several cities showed an interest, but securing the necessary political backup proved to be an almost insurmountable hurdle. An analysis of costs involved in traffic is found to be very interesting, but the subject is judged to be too sensitive, especially when elections are looming on the political horizon. In this selection process it was important to find cities with near equal size and in different regions, to make the study representative. Three cities saw the importance of this study and recognised the opportunity to gain insights for their policy on traffic. The three cities, all German capital cities, are Stuttgart (Baden-Württemberg), as well as the ICLEI-members Dresden (Saxony) and Bremen (Bremen).

The budgets of these cities were thoroughly examined and analysed. The aim was to find obvious, as well as hidden sources of income and expenditure for the MPT. A long list of questions that came up was sent to liaisons in the respective cities, and during visits in each city further data was collected and matters of content and procedure duly discussed with the relevant departments. The central issue was the estimation of the percentage of the various posts in the budget that can be ascribed to the MPT. The three calculations from the cities form the basis of the formula in the worksheets, which can be utilised to work out hidden subventions.

### **What are subsidies?**

Subsidies are funds for a specific purpose paid for from public finances. A local authority subsidises many areas, e.g. sport, or culture. The amount can be read up in the local budgets. But this transparency is not given for all activities, there are so-called hidden subsidies i.e. building facilities and transferring them into the care of third parties afterwards. We do not mean to imply that this is done on purpose, it is rather a result of the budget system that makes it nearly impossible to keep an overview over local and interdepartmental activities, among others the communal transport policy.

When tabling income against expenditure, those services that are performed for no or little remuneration are also taken into consideration.

It is important to note that in this report external costs of traffic have not been considered. We are not dealing with costs arising from accidents, air pollution, climate-change, noise, or traffic jams, but solely with real income and expenditure in the relevant departments which can be ascribed to MPT.

### **How can a city's budget be analysed?**

The departments responsible for road and street maintenance in cities have the job of building and repairing streets, paths and public spaces. This creates considerable costs, which can only partially be recovered through tolls for users. If we, for example, take a street, we see that it is used by various parties (busses, trucks, cars, motorbikes, bicycles and pedestrians), and it can be divided up in different ways, i.e. just for cars, separate parts for public transport, bicycle paths, pavement, etc.). Therefore we need to try and figure out the portion of the costs for cars, taking many different factors into consideration. Some factors would be the percentage of total traffic, which is taken up by cars ("modal split"), the portion of road surface used, plus different degrees of wear and tear, which impacts on the upkeep.

When calculating the specific percentage the three cities came up with almost identical figures independently of each other. Bremen sets the figure at 80% of the road and streets-department's budget, while Stuttgart and Dresden both come up with 70%. These figures do not just list the costs for concrete building projects, but also include personnel and work-related costs. Of these figures the lower one was chosen for the formula for other cities and has been included in the worksheets.

### **Where are municipal subsidies for traffic hidden?**

Would you have thought that the Department of Parks and Recreation of a major city has expenditures of more than 3 million € that can be ascribed to traffic?

Did you know that a municipality has to pay additional rent for expensive parking spaces when it rents a municipal building? The cost for the small public library in one of our test cities amounted to 3000 € annually.

Did you know that traffic is responsible for a large part of routine municipal maintenance costs?

Did you know that the terms 'economic development' or 'special investment programme' often hide large projects in support of MPT?

In one of our test cities, a municipality subsidised the building of a parking lot for the firm 'Duales System Deutschland' with 51.100 €

Should people in publicly subsidised housing need to share the costs for parking spaces, through the rent, if they do not own a car?

A city often has to borrow a large amount of money to pay for infrastructure projects for traffic, and the repayments often cripple a municipality for years to come. Up to now, these costs were not ascribed to MPT – can this hidden subsidising go on?

### **What result did the study produce?**

Coming back to Jamie S. in Bumper-to-bumper-ville who complained about a lack of planning and development concerning infrastructure, we're sure she'd be surprised to hear from her City council that Bumper-to-bumper-ville subsidises the MPT annually with 128 € (average of the three test cities) per citizen. The three cities show a marked discrepancy in this per capita subsidy: Bremen has 111 €, Dresden 123 €, and Stuttgart 145 €. However, the result demonstrates without doubt that German municipalities pay a huge amount of money towards the MPT, which is in no way comparable to the income from that source. Working with a very conservative calculation, the subsidies still amount to over 84 million € in Stuttgart, 56 million € in Dresden, and 61 million € in Bremen. If we make a projection for all 82 million German citizens, we arrive at a figure (at local level, excluding the central government and governments of the Bundesländer) of 10,5 billion € in subsidies towards MPT!

The highest figures arise from maintenance and upkeep of roads, city-drainage, cleaning and lighting of streets, and building of parking lots. The fire brigade, police, economic development and parks and recreation departments also represent large sources for expenditure that strain a municipalities budget. If we take, on the other hand, sources of income through the MPT, we can list fines, tolls and parking fees. The accompanying worksheets will help to gain a better overview of all income and expenditure.

### **What does this mean for municipal traffic-politics for the future?**

Between 1950 and 1998, the number of kilometres travelled per capita per year in Germany has increased ten-fold from 87,7 to 938,5. In the same period of time, motorised personal transport has increased by a factor of 24 – from 35,5% in 1950 to over 80% in just under five decades. This significant increase affects municipalities and local authorities as well.

Municipalities need to judge whether they can continue subsidising the MPT with such horrendous amounts, especially in present times, when budgets are strained. Will it become necessary to treat investments in the traffic sector as cost-effective in future, i.e. impose fees and taxes to completely cover expenditures? This would mean saddling those that are actually the cause of it with the costs.

It is important to initiate an open discussion about the possibilities of a sustainable policy on traffic. A major challenge faced by local authorities is to influence and change the behaviour of the public concerning mobility. The decision makers have the opportunity to play a major role in this through changing the way of thinking on traffic matters and concurrently by reducing the subsidies towards the MPT.

The debate about mobility should be lead in a factual manner, and this study represents a contribution on ICLEI's part towards this debate.

**Table 1: Results from the three test cities**

	<b>Bremen</b>	<b>Dresden</b>	<b>Stuttgart</b>
<b>Budget 2000</b>	<b>3.731 Mio. DM</b>	<b>2.374 Mio. DM</b>	<b>5.225 Mio. DM</b>
Income from MPT	24,6 Mio. DM	17,9 Mio. DM	40,5 Mio. DM
Expenditure for MPT	143,2 Mio. DM	128,0 Mio. DM	205,0 Mio. DM
<b>Subsidies towards the MPT</b>	<b>118,6 Mio. DM</b>	<b>110,1 Mio. DM</b>	<b>164,5 Mio. DM</b>
<b>Percentage of total Budget</b>			
Income from MPT	0,66 %	0,75 %	0,78 %
Expenditure for MPT	3,84 %	5,39 %	3,92 %
Subsidies towards the MPT	3,18 %	4,64 %	3,14 %
<b>Number of citizens</b>	<b>547.000</b>	<b>459.000</b>	<b>581.000</b>
Income from MPT per capita (in DM per capita)	44,97	39,00	69,71
MPT expenditure per capita (in DM per capita)	261,79	278,87	352,84
Subsidies for MPT per capita (in DM per capita)	216,82 (€110,86)	239,87 (€122,65)	283,13 (€144,76)

Source: ICLEI 2001

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