

# **Financing Urban Transport Development with EU funds**

## **Country case: Poland**



**Bucharest, 26 November 2015**



- Use of EU funds for financing urban transport in Poland
  - Programming period 2004 - 2006
  - Programming period 2007 - 2013
- Evolution of management structures for public transport
- Evolution of public service contracts in urban transport
- Key observations and lessons learned

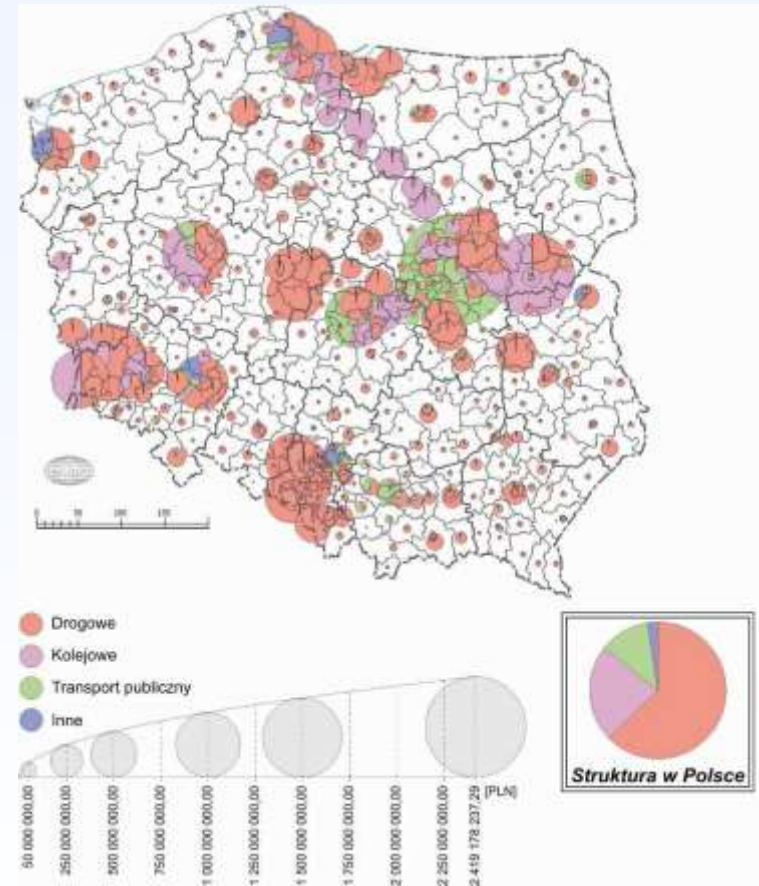
- Number of cities: 913
- Number of cities above 20.000 inhabitants: 222
- Number of municipal in-house transport operators: 142
- Bus systems: ca. 200 (51.500 km of lines, 700 mln v-km/year)
- Tram systems: 15 (1.100 km of tracks, 2.290 km of lines, 200 mln v-km/year)
- Trolleybus systems: 3 (322 km)
- Metro systems: 1 (29 km)
- Number of UT vehicles: ca. 15.000

# Use of EU funds for financing urban transport

## Programming period 2004-2006 (1)

Funds for transport from nation-wide operating programs (FS, SPOT, ZPORR, INTERREG) were allocated in 12% to urban transport.

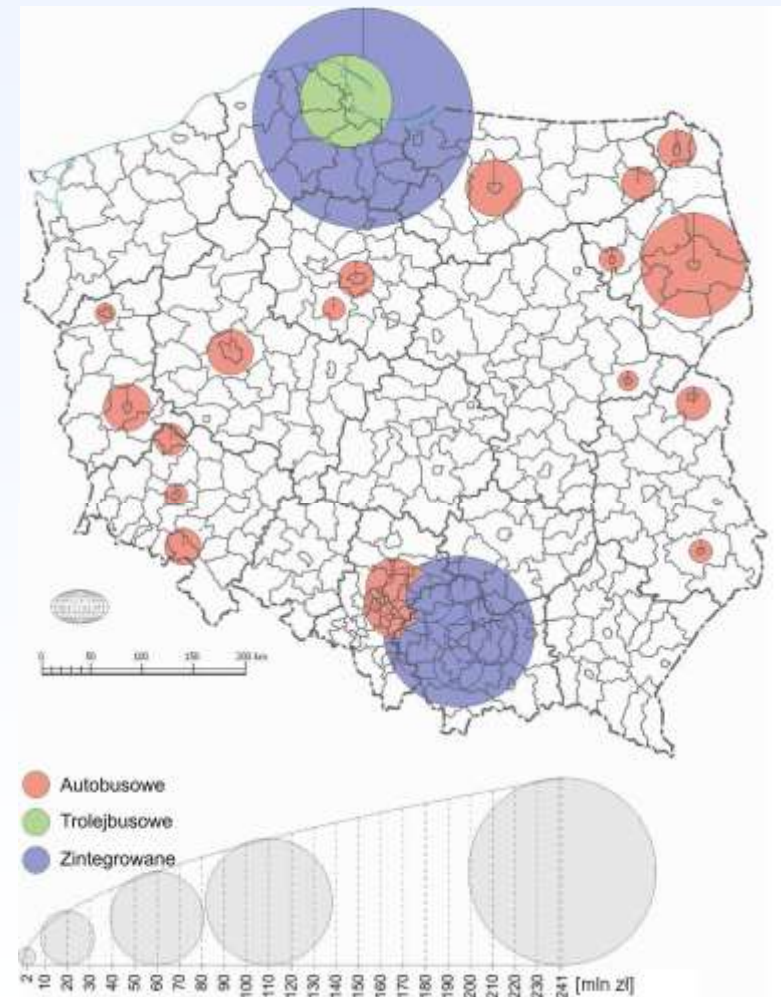
- Total value of UT projects: EUR 1 bln
- EU Funds for UT projects: EUR 0.4 bln
- Type of UT investments: metro, trams (infr. + RS), new busses, new trolleybuses
- Number of UT projects: 19



# Use of EU funds for financing urban transport

## Programming period 2004-2006 (2)

- Funds for UT distributed not-equally among regions
- Location of projects depended on maturity for implementation
- EU funds much lower than for road and rail
- No relationship to management structures or existence of public service contracts
- No application of state-aid rules! (grace period)



# Use of EU funds for financing urban transport

## Programming period 2007-2013

OP	OP Infra & Env	OP Eastern Poland	16 Regional OPs	Total 2007-2013
EU funds for UT	€2,000 mln	€365 mln	€200 mln	€2.6 bln
Total value of UT projects	€4,900 mln	€572 mln	€333 mln	€5.8 bln
Type of projects	metro, tram, bus, trolleybus	tram, bus, trolleybus	tram, bus	various
Number of projects	46	8	110	164

Overall result: ca. 2900 new public transport vehicles out of ca. 15000 in use

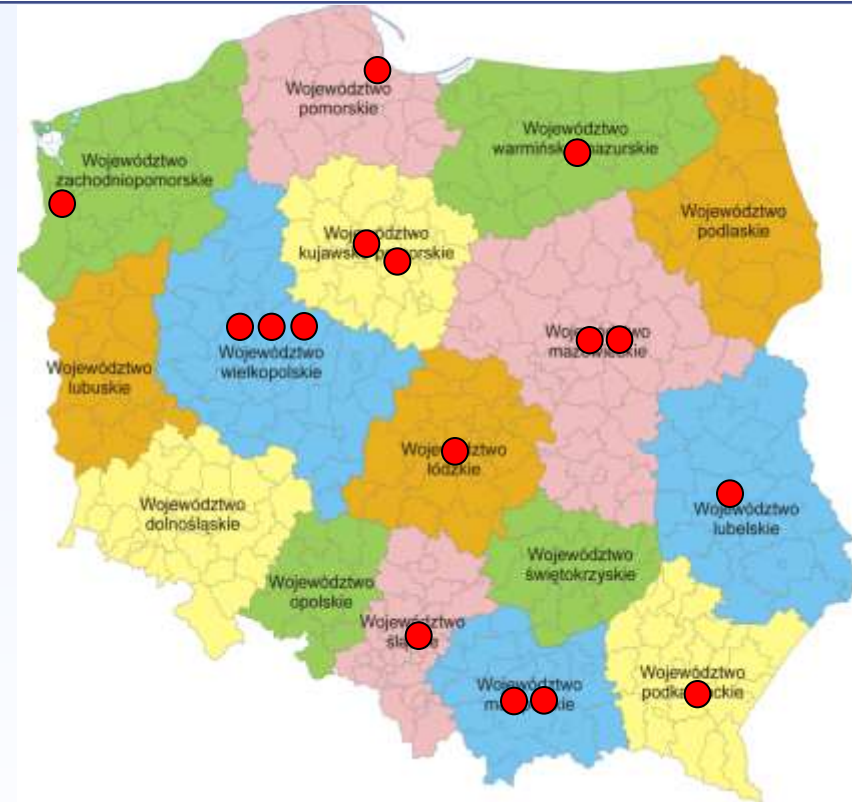


# Use of EU funds for financing urban transport

## Urban transport projects with JASPERS assistance 2007-2013 (1)

### **Metro, trams, buses, trolleybuses ....**

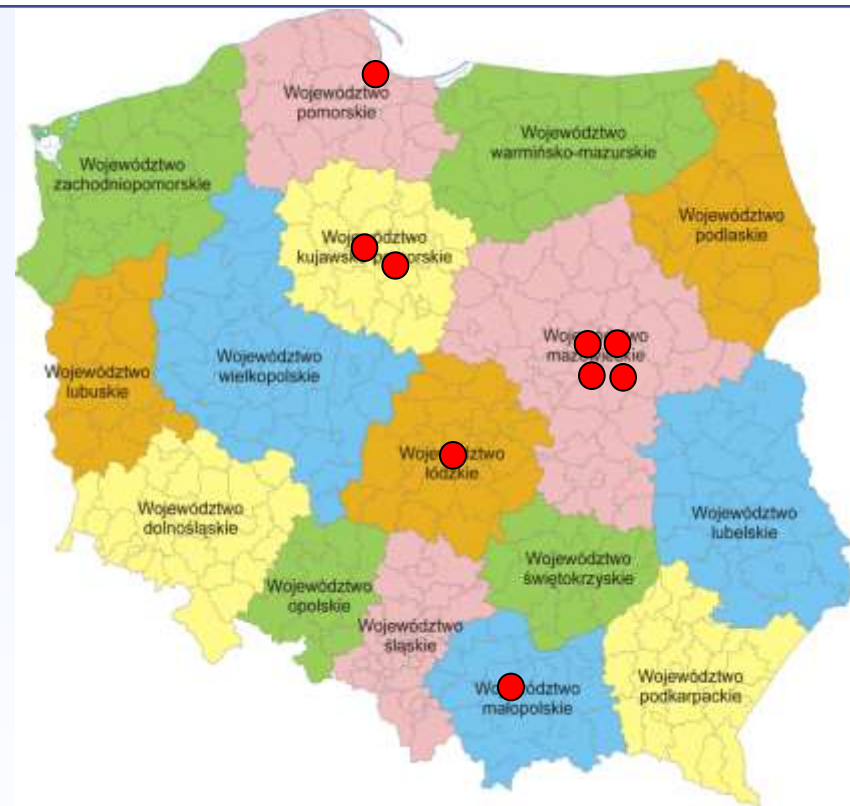
- Warsaw - II Metro line (infrastructure + new RS)
  - Trams (infr. modernisation + new RS)
- Poznan - Trams (new RS + depot equipment)
  - New tram routes to new depot
  - New depot facilities
- Kraków - Integrated transport dev. (tram infr + RS)
  - New tram infrastructure
- Katowice/Tychy - tram track modernisation + new tram RS + new trolleybuses + P&R
- Gdansk - tram (inf. + RS + depot)
- Bydgoszcz+Toruń - trams (infr. + new RS)
- Rzeszów - Integrated development (incl. new buses, streets)
- Lublin - integrated development (incl. new trolleybuses)
- Olsztyn - new tram system (infr. + trams)
- Lodz - tram infr. modernisation + RS
- Szczecin - tram infr. modernisation + RS



- ❖ All projects implemented with use of PSC (Transport Authority role and Operator separated)
- ❖ The operator is the owner of the rolling stock in most cases
- ❖ Infrastructure is owned by the municipality (majority of cases) or by the operator
- ❖ Total value of projects over 2 bln EUR, EU co-financing rate usually 50-60%

### And rail systems in agglomerations ....

- Warsaw – Warsaw Commuter Rail WKD (infr. + RS)
  - Fast City Rail – SKM (RS)
  - Regional rail operator KM (RS)
  - Rail infrastructure modernisation
- Kraków – New rail infrastructure + P&R
- Gdansk – Pomeranian Metropolitan Rail – infr. + RS
  - Rapid City Rail (SKM) – infr + RS
- Bydgoszcz+Toruń – rail infrastructure + new RS
- Lodz – Lodz Agglomeration Rail LKA (new operator+RS+depot)



- ❖ All rail service projects implemented with use of PSC (regional or municipal transport authorities)
- ❖ Ownership of rolling stock and depot various (transport operator or transport authority)
- ❖ Track infrastructure is owned by the national rail network manager (PLK)



- Restructuring of integrated forms of organization started in early 1990s and was systematically continued.
- 'State-enterprises' transformed obligatory into one of selected forms:
  - **budgetary unit** (city department, costs and revenues are those of the city, no own debt capacity)
  - **budget entity** (net result of the entity accounts to the city budget, no own debt capacity)
  - **commercial code company** (limited liability or stock company) with 100% shareholding of municipality
- Cities selected various options depending on size, complexity, available managerial skills, and also willingness to separate financial debt obligations from the city budgets.

- Separated entities:
  - higher autonomy of governance
  - ability to undertake additional commercial activities
  - increased efficiency of employment
  - transparency about a real costs of urban transport
- Key supervisory and transport planning structures often stayed within the municipality as a Transport Authority.
- In 4 cases the transport authority stays with association of municipalities, in 21 cases it was delegated to a budgetary entity.
- Over the last 25 years majority of municipal transport departments were transformed into separate companies
- Share of budgetary units or entities decreased systematically from 61% in 1995, 38% in 2000, 28% in 2011 to 10% in 2014.

## First PSCs before 2009

- After separation of public transport companies initial forms of contracts included simple delegation of authorities to a dedicated budgetary unit or company.
- Public service contracts on the basis of EU regulation 1191/69 were introduced before 2009. Often very general and simple in form, close to a framework agreement referring to yearly financial and management decisions of the municipality.
- The importance of application of state-aid rules to public transport investment and operations before 2007 was yet not understood broadly

## Dynamic development of PCSs after 2009

### Main motives for the development:

- Regulation 1370/2007 that entered into force on 3 December 2009
- Clear understanding by municipal authorities of application of state-aid rules to urban transport projects
- Necessary condition for EU-funded projects
- Implementation in 2010 of the new Act on Collective Public Transport that re-iterated Regulation 1370/2007 into national legislation, addressing also other related issues (transport plans).

## Implementation of Regulation 1370/2007

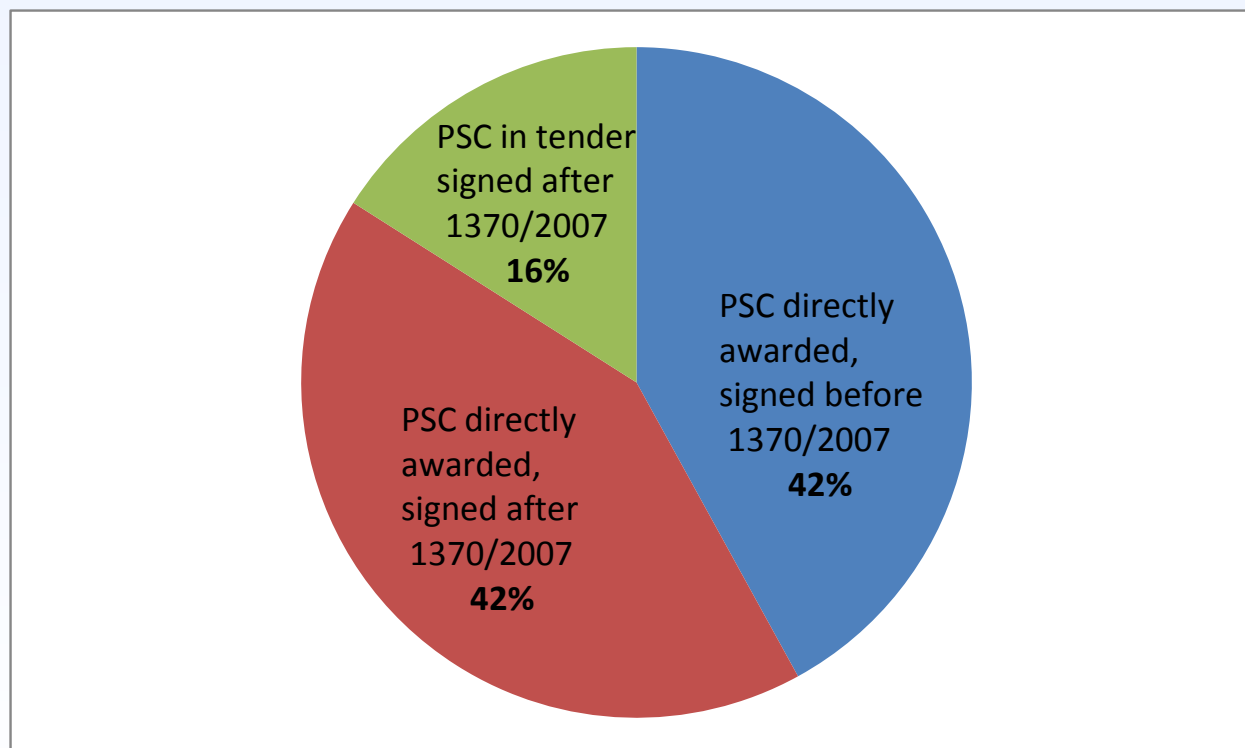
- In year 2009 (before 3 December - entrance of Regulation 1370/2007) many public service contracts were signed that were already partially addressing the requirements of Reg. 1370
- In 2007-2009 Ministry of Regional Development (Managing Authority) with assistance of JASPERS developed guidance on application of state-aid in the public transport projects [Similar to those now under debate in Romania] and a basic term-sheet of the Public Service Contract.
- Multiple national, regional and local conferences and sectoral press publications supported the learning process.
- JASPERS support on development of public service contracts for individual cases was launched (including organizational concepts, contract and project preparation)

## Key challenges with new guidelines and PSCs:

- Application to different forms of operator organization
- Compensation calculation
- Reasonable profit concept
- Network effect concept
- Monitoring of the performance and state-aid by public sector
- Influence of asset ownership arrangements on the state-aid aspects
- Precise definition of service costs
- Additional revenues
- Incentive systems and penalties



## Public service contracts in Poland depending on their form



'Net' public service contracts – 53%

'Gross' public service contracts - 47%

# Examples of JASPERS work on PSCs in urban transport in Poland



- Upper Silesia Trams – Tram project + PSC - focused assignment supporting development of sound PSC backed by strong financial and institutional analysis prepared by financial and legal consultants
- Guidelines on state-aid in transport projects (work for Ministry of Regional Development in 2008)
- JASPERS guidelines on the scope of PSC in urban transport
- PSC reviews and comments on all urban transport projects and rail rolling stock projects

- EU funds were a great stimulator for the industry organizational change, but not the only condition.
- Re-iteration of Regulation 1370 to the national law was a key milestone.
- Guidelines of the Managing Authority constituted a first step, but could not answer all the questions and had to undergo some revisions. Simplicity of solutions is an advantage.
- Public service contracts 'owned' and managed by municipal authorities, not by in-house operators, are more efficient. Several persons in the Municipality must understand the contract.
- Effective preparation of major projects requires a dynamic dedicated project manager and a team inside the organization, closely co-operating with board of municipality and board of the operator (board members are usually not effective project managers).

- Main role of the Managing Authority: provide guidance as soon as possible, organize technical assistance (JASPERS, consultants) for the most promising major projects, if necessary, and closely monitor progress of preparation of all major projects.
- Main role of Beneficiaries (municipalities and transport operators) is to take initiative, implement the changes, prepare projects.
- Effort of Beneficiaries (time, money, learning) was bigger than initially expected (three processes: organizational changes, new contracts and EU financed projects), but it could not be done by anyone else!
- ... and the results are in the end appreciated by citizens!

# Thank you for your attention

Paweł Malinowski  
Transport Sector Specialist  
EIB / JASPERS  
[p.malinowski@eib.org](mailto:p.malinowski@eib.org)