An Roinn Iompair Turasóireachta agus Spóirt

Department of Transport, Tourism and Sport

Investing In Our Transport Future: A Strategic Framework for Investment in Land Transport

Background Paper Twelve

Alternative Funding and Delivery Methods for Transport Infrastructure

Issued by:

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Alternative Funding and Delivery Models for Land Transport in Ireland

1. Introduction

Continued investment in transport infrastructure is required to drive economic recovery and development. Against a background of decreasing exchequer resources for transport investment new ways of funding this investment and more efficient ways of delivering investment must be found.

The range of potential non exchequer funding sources includes the following:

- EU/EIB funding
- Private sector funding instruments
- User payment mechanisms
- Development levies
- Concessions/Franchises
- Advertising/commercial income opportunities

The following is a summary description of the current situation regarding the various funding sources and relevant up to date information as regards potential for funding for transport from these sources into the future. Further research is required to investigate and confirm real possibilities for accessing non exchequer funding sources to match investment priorities to 2030.

2. EU Funding

The EU Budget process for agreeing the **Multi Annual Financial Framework** (MFF) for the period 2014-2020 is still on-going. The **MFF** is the EU budget envelope from which sectorial budget allocations are provided e.g. CAP.

The Irish Presidency is targeting agreement on the MFF for June 2013 - the deadline for agreement is the end of 2013. In parallel work is progressing on the various

implementing Regulations which will outline eligibility criteria, scope etc.

2.1 Connecting Europe Facility/Ten-T

In the MFF a new integrated instrument for investing in EU infrastructure priorities in Transport, Energy and Telecommunications: the "**Connecting Europe Facility"** (**CEF**) has been set up. Smart, sustainable and fully interconnected transport, energy and digital networks will be supported. The Regulation establishing the CEF and setting out the conditions, methods and procedures for providing financial aid to trans-European networks is also currently under negotiation. In addition a new **Ten-T** (transport specific) Guidelines Regulation under which CEF funding for transport will be allocated is also under negotiation.

Under the 2014 -2020 CEF and Ten-T, Member States will not have a specific allocation but must bid for projects on the basis of contribution to overall aims of CEF. The February European Council agreed an allocation of €29.3bn for the CEF, of which €23bn is ear-marked for transport with €10bn of this for transport investment in Cohesion Member States.

In transport, investments will concentrate on cross-border projects and other projects of high EU added-value, as pre-identified in the CEF Regulation Annex. Member States have to agree comprehensive and core networks for transport which will form part of the CEF Regulation. Ireland has submitted the maps outlining the **Comprehensive and Core network**.

Projects in the Core Network, a subset of the Comprehensive Network, will receive the vast bulk of funding, via the CEF with the aim of having the Core in place by 2030. Under the current draft CEF/TEN-T it is proposed that co-funding rates as follows will apply -

"In the field of transport:

(a) with regard to grants for studies, the amount of Union financial aid shall not exceed 50%of the eligible costs;

(b) with regard to grants for works:

(i) rail and inland waterways: the amount of Union financial aid shall not exceed 20% of the eligible cost;
the funding rate may be increased to 30% for actions addressing bottlenecks;
the funding rate may be increased to 40% for actions concerning cross-border sections;

(ii) inland transport connections to ports and airports, actions to reduce rail freight noise by retrofitting of existing rolling stock, as well as development of ports and multi-modal platforms: the amount of Union financial aid shall not exceed 20% of the eligible cost.

(c) with regard to grants for traffic management systems and services:

(i) the European Rail Traffic Management System (ERTMS): the amount of Union financial aid shall not exceed 50% of the eligible cost;

(ii) traffic management systems, freight transport services, secure parkings on the road core network, as well as actions to support the development of Motorways of the Seas: the amount of Union financial aid shall not exceed 20% of the eligible cost."

In the 2014 -2020 round of funding, heavy rail is a priority and the vast bulk of funding for **heavy rail** will go towards projects in the new Core Network. There are 10 European rail corridors identified in the CEF core network one of which covers Ireland –Belfast-Dublin-Cork.

In addition to the Belfast-Dublin-Cork railway line the Core Network in Ireland will include Limerick Junction to Shannon/Foynes Port railway line, Greater Dublin Area & Greater Cork Area. This should allow scope for funding the Dart Underground programme if it is prioritised or key elements of the programme if progressed separately. Final agreement on the maps is still awaited.

Light rail will not qualify for CEF /Ten-T funding.

In relation to **roads** it would appear that there will be very limited scope for national road projects to benefit from any TEN-T/CEF funding.

Certain national roads (mainly where PPPs are proposed) have been included in the Irish Core network as this is a condition for direct EIB loans for road projects**.**

2.2 Structural Funds

The **Structural Funds (Cohesion Fund, ERDF)** will also support transport projects. However Ireland does not now qualify for Cohesion funds and Ireland's eligibility for ERDF funds is also severely restricted due to its classification as a "More Developed Region", the narrower scope and tighter criteria of the new Regulation as currently drafted. The relevant thematic objective is "promoting sustainable transport and removing bottlenecks in key networks".

The Department of Public Expenditure and Reform has recently commenced its preparations for Irelands structural fund programmes from 2014. Each member state is required to prepare a Partnership Agreement outlining funding priorities for the 2014-2020 period and a consultation process on this has recently begun.

The scope for EU funding for transport investment in Ireland will be determined by whatever prioritisation is given in capital plans to 2020 to transport projects eligible for EU funds.

2.3 Europe 2020 Project Bond

The CEF will complement EU direct support with financial instruments in order to optimise the impact of funding. It is envisaged that through the multiplier effects of financial instruments, access to capital for the substantial investment needs will be facilitated. It is envisaged that CEF funding will be leveraged by the EIB through Project Bonds for PPPs in which markets e.g. Pension Funds will participate with ROI risks being mitigated and Loan Guarantees Instruments (LGTT) in for projects in which banks will participate and which will mitigate risks associated with traffic flows for example.

A pilot Project Bond Initiative was launched by the Commission and EIB in 2012.

NRA has been examining the project bond issue in the context of PPPs and should be in a position to advise on suitability for Irish transport projects selected for advancing as PPPs. They have expressed concern that such bonds could replace direct EIB loans and this would not be a favourable development.

2.4 Other EU grant Initiatives

There are from time to time specific targeted programmes for investment. Currently one such is the Joint European Support for Sustainable Investment in City Areas (JESSICA). JESSICA promotes sustainable urban development and regeneration by supporting projects in areas including urban transport infrastructure.

This initiative of the European Commission was developed in co-operation with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB). A fund can be set up using some of a member states EU Structural Funds with the aim of investing in projects and leveraging other financing, including the EIB and private sector funds.

It is not yet clear if JESSICIA will continue under the MFF 2014 -2020. Currently consultants are reviewing if Ireland has any projects that could quality for funding to 2014. However scope is limited as they must be included in the capital envelope to 2016.

2.5 European Investment Bank (EIB)

In addition to its support for the Project Bond initiative direct loans from EIB will continue to be **available** for eligible transport projects.

An EIB loan is being provided for the N11 /Arklow-Rathnew PPP which it is hoped to finalise shortly. EIB has also approved a loan in principle for the proposed Gort –Tuam PPP.

Currently also EIB has commenced consideration of a loan for the Luas Cross City project which is being funded directly by the Exchequer and discussions have commenced on this.

However current Government policy is that (unless provided as part of a PPP) the EIB loans will not be considered as extra funding for individual projects funded by the Exchequer – they will merely replace other more expensive Exchequer borrowings.

Prior to their cancellation the EIB had approved a loan for the Metro N PPP and were in the process of considering the application for a loan for the Dart U PPP.

3. Private Sector Funding Instruments

3.1 PPPs

No public transport PPP has been successfully completed. PPPs for Metro North and Dart Underground have been cancelled in recent years due to the economic downturn. (Luas C1 to Citywest did receive a major contribution from a local Citywest development consortium). However PPPs have made a major contribution to national roads development in past 10 years.

A significant portion of the national roads element of Transport 21 was delivered via the First PPP programme with private funding of around €2 billion. This programme delivered 10 national road schemes.

A second PPP programme for 4 schemes was approved in 2008 but due to the difficult capital market situation and Irelands sovereign debt progress stalled for a period. However following long and protracted negotiations one of the projects the N11 Arklow Rathnew + Newlands Cross PPP is now near to closure. This progress was only achieved after providing a stronger state guarantee/indemnity in relation to the funding of availability payments (required by EIB). In addition in order to satisfy the contactor it was agreed that NPRF would step in if the Irish bank in the consortium was unable to meet its commitments.

The Government in its July 2012 stimulus package gave approval to proceed with the N17/18 Gort –Tuam PPP as well as to commence the process for PPPs for the N11 Gorey to Enniscorthy motorway and N25 New Ross Bypass. Recently the Department of Public Expenditure and Reform has committed to providing extra funding to allow the NRA to deliver these PPPs.

A successful conclusion on the N11 Arklow /Rathnew PPP and an improvement in Ireland's debt and economic situation would give some confidence that it may be possible to progress the remaining three over the next 2/4 years.

A key issue is the overall annual cost of the PPP operational/availability payments and what level is affordable in the context of the overall state finances. The payments on the **current PPPs** funded from the Exchequer will amount to €61m in 2013 and will reduce to around €40m in 2020 and to under €4m in 2024 when the payments on the M3 reduce significantly. This reduction would go some way towards the cost of the annual payments for any new PPPs -the first of which is unlikely to fall due until 2017 with the rest if successfully concluded coming on stream over the following 2 to 3 years.

The M50 tolling revenue funds the annual availability payment on the PPP for the M50 Extension of circa €23m annually and which continues to 2042. It also funds the M50 buy-out cost of €55m approx. which ceases in 2020. However given the current underfunding of road maintenance and the likelihood that this will continue to some degree the NRA would more than likely prioritise these funds for essential maintenance and renewal of existing national roads.

3.2 Sovereign Wealth Funds (SWF)

The NDFA conducted some preliminary analysis of the appetite for involvement of Sovereign Wealth Funds (SWF) in investing in new transport infrastructure in early 2012.

NDFA advised based on this analysis that SWF investment would not be attractive from an Exchequer point of view. NDFA say that due to the inherent risk in infrastructure development especially in our current financial circumstances that a potential SWF investor may require some form of Government underwriting and an annual return of a least 10% post tax.

NDFA/New ERA have also made enquiries in the past with pension funds and sovereign funds about sale and lease back arrangements in relation to existing roads and light rail.

However many obstacles were identified such as ownership of the road network and no worthwhile proposal has been advanced.

Notwithstanding the above it is understood that NDFA/New ERA have continued to take market soundings as regards options for private sector funding for infrastructure. However water and energy infrastructure have been given a higher priority than transport.

In relation to Luas Cross City discussions are proposed in the near future with NDFA to investigate financing and contract options to accelerate delivery.

4. User Payment Mechanisms

Monies may be raised from a variety of transport related taxes and levies as follows:

- Tolling
- Road pricing
- Congestion charges
- Motor tax
- Fuel tax
- Local Authority Parking

Of these, local authority parking is determined and paid locally to the relevant council. Policy in respect of the other charges is essentially decided at national level.

In deciding between the different charges there may be varying objectives, for example

- Increased revenue
- Traffic demand management
- Rebalancing costs between cars and trucks
- User pays/polluter pays principle

or a combination of the above. Where applicable EU requirements must be taken into consideration.

In considering the above it should be noted that fuel taxes, vehicle registration tax and annual motor taxation generate an estimated €4.8bn per annum for the Exchequer. (2011 figure)

In addition to this road users pay approximately €200m per annum in tolls on national roads, and local authority car parking charges of approximately €110m per annum. Exchequer revenues are also generated through range of other areas such as VAT on new vehicles purchased, VAT on vehicle repairs, and VAT on private car park charges.

4.1 Tolling

In November 2010 the NRA produced a preliminary report based on initial scoping work on options for a new tolling strategy. They followed this up with two Preliminary Implementation Plans: (1) M50 – Multi-point tolling (May 2011) and (2) Greater Dublin Area radials and Jack Lynch Tunnel (June 2011).

The NRA's National Roads Traffic Management (NRTM) Study published in February 2011 which looked at, amongst other things, the implementation of fiscal measures to support traffic management to rationalise the demand for transport infrastructure based on user need, concluded, inter alia, that as an interim measure barrier free multi-point tolling (MPT) using an 'open' system in the Greater Dublin Area (M50 and key radials) would provide an effective proxy of distance based charging. This could be supplemented by a single point toll on the Jack Lynch Tunnel in Cork. The Study also identified other key locations on the national road network as suitable for further consideration for the location of tolling points. The Study examined the most likely configurations for tolling using complex modelling to arrive at its final proposals.

Issues to be taken into consideration when considering introducing new/increased tolls include:

- New toll schemes (as part of PPP arrangements or directly via the NRA) that would involve charging of HGVs on the trans-European road network and motorways are

required under the Eurovignette Directive to be formally communicated to the European Commission.

- The NRA has estimated the timeline for delivery of new tolling schemes at 36 months from the time the NRA is directed to proceed.
- The estimated global capital budget, albeit on extremely limited information for delivery of the M50/GDA and Jack Lynch Tunnel projects, is approx. €54m (inclusive of VAT). (M50 MPT cost is €32m with a €22m estimate for the GDA radials and Jack Lynch Tunnel).
- Increasing existing tolls was examined in the NRA Report on Network Tolling Options (November 2010). While putting an additional €1.00 on all existing toll locations, excluding the M50 and the Dublin Port Tunnel, could generate additional net revenue in the region of €17m to €20m per annum with minimal diversion.
- If new/increased tolls are proposed there would have to be agreement that such additional expenditure would be allocated for increased investment in roads (additional to existing budgets).
- Collection costs can be up to 30% of revenue raised

4.2 Road Pricing

Current technology allows for a form of charge for road use referred to as 'road pricing'. Road pricing based on Global Navigation Satellite Systems (GNSS), applies a charge for road use based on time, distance and the level of congestion. There is no international experience of successful implementation of full road pricing i.e. a national scheme which covers all types of vehicles. The main issue with full GNSS road pricing is risk relating to capital and operating costs. The NRA's NRTM Study concluded that full road pricing is something which could be considered in the longer term when Ireland would benefit from improvements in technology as other jurisdictions make progress on deploying a national charging system.

Where satellite road pricing systems have been used internationally, this has been done on a national basis but restricted to HGVs. For the most part these systems have been introduced as a result of the considerable volumes of foreign registered vehicles using

transit routes through countries, including Germany, Slovakia and France. These systems are employed as a means of capturing user costs from those who are not liable for fixed costs such as national road taxes, vehicle duty etc.

The NRA's NRTM Study concluded that GNSS based road pricing technology for HGVs could be considered as a medium term objective subject to further investigation. However there might be pressure to reduce the existing heavy fiscal costs paid HGVs resulting in less revenue. There would also be a significant risk of diversion unless all roads were covered.

4.3 Congestion Charges

Congestion/access charges typically apply to manage traffic into and out of city centres. Whilst the size of the cordon for access charging could be widened in order to capture orbital routes (such as the M50), this would lead to a higher level of complexity and cost in providing the numerous entry/exit points and associated infrastructure e.g. gantries.

The experience of such charges also suggests that these systems can attract a significant operating cost. In 2009/10 the London system required an operating cost of £154m for the collection of £312m in revenue. This suggests a cost of £4 for every toll collected which is clearly a significant cost that is only possible as a result of the high charge to road users. In Stockholm the operating cost is significantly less, mainly as a result of the automation of many of the billing processes.

The NRA's NRTM Study concluded that congestion/access charging would have some impact on demand on the national roads in the fringes of the urban areas. Nevertheless, in the absence of stronger planning controls, such measures do have some influence in displacing car-based development to the edge of city sites. As such, those measures do not fully control the level of car reliance that major road infrastructure can generate.

Furthermore, in considering such a scheme regard would have to be had to the availability of reliable and efficient public transport alternatives to car usage.

The Eurovignette Directive does not prevent the non-discriminatory application by Member States of charges designed to combat time and place related traffic congestion, on roads in urban areas.

4.4 Motor Tax

The decrease in income associated with CO_2 based tax compared with engine capacity is currently put at €79m per annum and increasing at an annual rate of 5-6%. This is in line with the increasing volume of CO_2 based vehicles which currently represent approx. 18% of the overall fleet. It is estimated, assuming a future car fleet of 2 million vehicles with a profile the same as vehicle purchasing patterns in 2011, that annual motor taxation yield from private cars would amount to around €320m, implying annual motor taxation being in the region of 30-40% of current tax take in the period out to 2020 and beyond. (This is based on 2011 figures – needs to be reviewed in relation to 2012 figures when available).

This volume base makes it very difficult to make any rebalancing of motor tax rates for private vehicles without applying very large increases.

4.5 Fuel Tax

The NRA's NRTM Study noted that fuel taxation is a relatively low cost method for collecting road user charges and points out that fuel duty offers a good proxy of road user charging based on the level of use. According to the Study the main argument against it, is its inability to differentiate between those areas of high and low congestion on the network. The Study concludes that fuel taxation is the preferred means of charging for road use by non-goods vehicles outside of the major cities.

In terms of generating increased revenue the advantage of increasing fuel tax to fund roads is that almost 100% of the additional tax paid would accrue as there are no operational/administrative costs. In addition there are no capital set up costs which need to be funded upfront.

Issues to take into consideration in relation to increasing fuel tax include its impact on commercial vehicles, the possibility of 'fuel tourism' if the price increase resulted in an

appreciable differential between this State and Northern Ireland and the reduction in excise tax receipts as a result of the move to more energy efficient vehicles.

As responsibility for the levying of fuel tax lies with the Minister for Finance, as with motor tax, unless there is negotiation and agreement no additional revenue generated from increasing fuel tax may be allocated specifically for roads. A possible mechanism to fund specific road projects might be to impose a levy on fuel similar to the NORA levy imposed on certain oil stocks which funds the National Oil Reserve Agency.

5. Development Levies/Other Specific Business taxes & levies for transport investment

5.1 Development Levies

Development contributions were introduced under section 26(2) of the Local Government (Planning and Development) Act 1963, which empowered local authorities to require payment of a development contribution as a condition of a planning permission. The Planning and Development Act 2000 introduced provisions requiring local authorities to prepare development contribution schemes.

The primary objective of the development contribution mechanism is to partly fund the provision of essential public infrastructure, without which development could not proceed. Development contributions have enabled much essential public infrastructure to be funded since 2000 in combination with other sources of, mainly exchequer, funding.

2007 saw a peak in incomes from development contributions reflecting the record levels of planning activity in 2006. Since then the amounts collected annually have been in decline as the economic downturn took hold and construction activity in particular collapsed.

Section 48 of the Planning and Development Acts, provides for **general development contribution scheme**s in respect of certain public infrastructure and **special development contribution** schemes (48(2)) for a particular development.

Section 49 of the Act provides for the drawing up of a supplementary development contribution scheme to facilitate a particular public infrastructure service or project which is

provided by a local authority or a private developer on behalf of and pursuant to an agreement with a local authority (e.g. through Public Private Partnership), and which will directly benefit the development on which the development contribution is imposed. These have been used primarily for the funding of specific transport infrastructural projects under the Transport 21 investment programme. Examples of such schemes include those prepared to support the delivery of public transport projects like the LUAS network and Cork-Midleton rail line.

The Minister for the Environment, Community and Local Government issued revised guidelines on 21 January 2013 under section 28 of the Planning and Development Act 2000 (as amended). All planning authorities must review their existing development contribution scheme(s) by 31st March 2013 to ensure compliance with the content of the guidance. Key features of the new guidance include a requirement for planning authorities to establish **reduced** rates of contribution for projects such as:

• Developments in Town Centres
• IDA/Enterprise Ireland Projects
• Broadband and Sustainable Energy Infrastructure
• Change of Use Permissions Which Do Not Require Upgraded Infrastructure.

Provision is also made for the **phased** payment of contributions in certain circumstances and for **lower rates** in areas prioritised for development in a local authority's core strategy."

This guidance is focussed predominantly on general development contribution schemes and special development contribution schemes (Sections 48 and 48(2)(c). The general principles of the guidance also apply to supplementary (section 49) contribution schemes. The impact if any, as regards Section 49 levies may need to be further examined.

It is understood that DCC is proposing that levies to be set for all new schemes will be 50% less than currently applied. In addition there are proposals to reduce the levies under the Metro North scheme also by 50% for new developments. (*Metro N levies held by the local authorities total €17.494m (DCC = €3.824m and FCC=€13.670m). This is the cause of*

controversy given the ***postponemen****t of the project. If the Metro N project is not progressed under the next capital plan then pressure to refund these contributions will likely intensify.)*

The Metro West levy scheme was terminated in 2012 and contributions refunded following **cancellation** of the project

No levies are currently held for Line C1 (The Point Extension) or for Line A1 (Citywest Extension). However a new Section 49 scheme will shortly be proposed by DCC for Line C1 to the Point. The previous scheme for this Line under Sect 48 was overturned on appeal to ABP. The yield from the new scheme is not likely to be significant over the next 5 years and in any event unless surrendered to offset Exchequer advances can only be used for developments linked to the line.

At present there is no proposal for a Section 49 Scheme for Luas Cross City due to overlap with the Metro North scheme and the limited development potential of other parts of the route. This will be kept under review by NTA/RPA.

Currently there is an amount of €7.785m of levies collected for Line B1 (Extension to Cherrywood) held by the RPA. From this €0.626m is expected to be paid during 2013 in respect of certain works. The remaining €7.159m has been retained for the purpose of the development of a permanent Park & Ride at Carrickmines, subject to obtaining relevant planning permission.

5.2 Other Specific Business taxes & levies for transport investment

Under the general heading of extracting revenues from business for transport improvements, it might be worth considering whether a couple of additional models have any role in Ireland:

- **Tax Increment Financing (TIF)** works by allowing local authorities to borrow money for infrastructure projects against the anticipated increase in business rates income expected as a result of the said infrastructure project. Usually focussed on regeneration areas. In use for over 40 years in America, the UK government is looking at introducing it.

- **Business rate supplements** – usually brought in to fund a particular large scheme, this is an additional levy on non-domestic properties. This is being used to part fund the Crossrail project in London – the GLA is hoping to fund £4.1bn of the £15.9bn cost from a new business rates supplement (BRS). Less than one in five London businesses will be liable. This overcomes the difficulty with for example a scheme such as Luas Cross City, which goes through mainly brownfield urban land and therefore offers little scope to extract revenue via a Section 49 levy.

6. Concessions/Franchises

The LUAS concession is the only one currently operating in the transport area. This was a profitable arrangement up to recent years which yielded funds over and above the concession terms for renewal and upgrades of the infrastructure. Now however the reserves built up over the profitable years are also being used to fund losses arising from drop in patronage. It is likely that any future concessions arrangements if profitable would no more than provide funds for allow for similar coverage of essential upgrade costs.

The concession model, or competition for the market, has proven to work successfully in, for example, the London bus market, and if implemented efficiently can be an effective way to minimise operating costs. The evidence is more mixed on the success of the franchising model adopted in the railways sector in the UK. The costs of administration, competition, and procurement can be significant for franchise models and need to be fully considered in any assessment of the cost efficiency of the model.

The Luas model has worked very effectively, in that up to 2011 it was one of very few urban public transport systems in Europe that did not require an operating subsidy, and was also in a position to provide funds towards refurbishment and heavy maintenance costs. There is scope to examine the extension of the franchise model to the bus sector in Ireland.

7. Advertising/Commercial revenues

Most transport agencies have in recent times investigated the range of commercial opportunities to earn additional funds. Based on evidence to date extra revenue from these

sources while helpful would not be capable of making the major contribution to investment of the scale required. The Transport companies have already made progress in these areas and the scope for new long- term income streams is limited. Increased or new income streams are also heavily dependent on economic recovery.

7.1 Advertising

This is the main supplementary source of income for PT operators in most European cities, although the significance of this business varies. In Paris 11% of total revenues are generated through advertising, while in Dublin it is only 1%.

7.2 Renting/selling premises and facilities

- PT operators can make use of their premises and facilities by renting shops and offices, spaces for vending machines, car parks etc.
- Leasing the right of way to use the infrastructure or to communication companies in order to lay any kind of transmission wires e.g. buildings hosting telecommunications masts, fibre optic cables installed in railway track bed and overhead lines used to carry voice and data signals.

7.3 Providing additional services

In Stockholm, the underground metro has been equipped with a mobile phone network, the access to which is rented to telecommunication service providers thus generating extra income for the metro company. Currently the project is expanded to offer WiFi-Internet-access in all bus-stop weather shelters.

In Bucharest, PT operators offer car services to third parties (mechanic, electric, tin, dye work and vulcanisation), vehicle renting or printing works. In Dresden the DVB (Dresdener Verkehrsvetriebe AG) offers Sightseeing-Tours by bus.

7.4 Sale of products

Some PT companies make use of their extensive distribution network by selling additional goods. In addition to travel tickets for the tube, London underground ticket offices also sell

tickets for major tourist attractions. Other sales take more the form of merchandising making use of the image of public transport.

8. Next steps :

The above is an initial outline of most of the non- exchequer funding sources for transport infrastructure. Some of these sources are already available and utilised.

Some initial conclusions would be

- EU grants given the eligibility criteria and matching funding requirements (Exchequer funding of 70% +) will not give rise to any big pot of funds to 2020 for transport investment

- an efficient and cost effective method to raise funds for transport investment would be by way of increasing taxation on motorists and earmarking that revenue for investment. However there are down sides to that proposal given the already high taxes on motorists and in any event it could run counter to overall economic policy and might not be politically acceptable. There would also be potential for people to go north if excise increases and currency fluctuates.

- the NRA demand management study demonstrates that tolling is not a very efficient means of raising revenue unless required to manage road space – costs can take up to 30% of revenue raised. A one cent excise increase would generate the same revenue as the NRA tolling plans.

- the success of any new PPPs will be heavily dependent on capital market developments and Irelands sovereign debt situation. Also there is a limit to the level of annual payments which can be supported especially if they have to be funded from the Departments annual capital allocations.

The suitability of using or increasing revenue from any source will need to be further assessed against a number of criteria including overall government economic policy, impact

on growth and competitiveness as well as having regard to the yield from each individual source. An important part of any assessment would also be an analysis of what funding/delivery models work best for Ireland Inc. in the long run, i.e. is it better to fund infrastructure via general taxation or to do so via dividends, rents, availability payments etc. Consideration of the cost effectiveness over the project lifecycle of different models of involving the private sector should also be included.

The Group may wish to appoint consultants to undertake this analysis.

Finally it should be noted that there is a possibility that some funds will be made available for short term economic stimulus over the next 12 months arising from the sale of state assets. It is likely that the priority for those funds would be projects that would give a quick return in terms of job creation. In transport this is likely to focus on increased funding for road maintenance and for other projects which are shovel ready.