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TRANSPORT POLICY

**RECOMMENDATIONS  
FOR SUSTAINABLE &  
SOCIALY JUST  
LOCAL PUBLIC  
TRANSPORT  
FUNDING**



The commitment of public funds and the development of new funding models for local public transport (LPT) operations, maintenance and infrastructure can play an important part in overcoming the Covid-19 crisis and rebuilding economies in ways that are socially and environmentally just. But this will only happen if LPT systems and funding structures are designed to be efficient, respond to the needs of workers and users, and specifically address social inequalities. In addition, increased public investment in local public transport must be accompanied by reform of the global financial system to address the macroeconomic constraints on countries in the Global South, which limit their ability to invest in infrastructure and public services as an essential part of the recovery.

The recommendations below represent a set of principles that unions can use to guide the development of specific campaigns and demands for sustainable and socially just funding for local public transport services during and after the pandemic.



## NORTH-SOUTH SOLIDARITY FOR DEBT RELIEF AND A NEW DIRECTION FOR DEVELOPMENT ASSISTANCE

### 1. DEBT CANCELLATION WITH MANDATORY PARTICIPATION BY PRIVATE CREDITORS

To achieve sustainable LPT funding on a global scale, all countries must have adequate fiscal space. Currently, high levels of external debt and increased debt servicing requirements, in part a result of monetary and fiscal policies in the Global North, are severely limiting the ability of countries in the Global South to respond to the pandemic and support LPT systems and workers. Increased international solidarity is needed to make debt cancellation and restructuring possible for all countries that need it. Solidarity between workers in the Global North and South, calling for the expansion and effective implementation of the IMF and G20 debt relief programmes, is needed. The goal must be real, lasting debt reduction, and the creation of mechanisms to force private creditors to participate. North-South solidarity should also be used to pressure Northern governments to maintain and increase their official development assistance budgets and climate finance contributions.

### 2. A NEW DIRECTION FOR DEVELOPMENT ASSISTANCE

IFI loans and advice should be shifted from the mobilisation of private finance towards public investment in employment in those sectors that are essential to economic and social recovery from the pandemic. Public investment should be supported through domestic resource mobilisation, international tax reform and a Global Fund for Social Protection. *The Statement by Global Unions*

to the Spring Meetings of the IMF and World Bank provides an overview of general reform measures that can address the fiscal stimulus gap between the North and South and the underlying contradictions in the current direction of development assistance<sup>1</sup>.

Specifically in relation to LPT, World Bank and other IFI financing should support public investment and sustainable funding models. IFIs should ensure that social and environmental safeguards are applied to all loans. Loan programmes to support and expand LPT should be developed with input from workers' organisations, in accordance with these recommendations.

## EMERGENCY FUNDING FOR PANDEMIC LOSSES

### 3. TIMELY, FAIR AND SUFFICIENT EMERGENCY FUNDING TO COVER COVID-19 LOSSES FOR ALL MODES AND SERVICES

Emergency funding to cover the budget shortfalls experienced by local public transport has occurred unevenly, with some operators and modes receiving no funding at all, putting workers and users at risk. This is particularly true in the Global South. In many countries, large private operators have been covered by compensation clauses in service contracts while public and/or small-scale and informal operators, including owner drivers, go with little or no support. Governments should commit to continued emergency funding for all modes and types of LPT while social distancing measures are in place and fear of infection keeps ridership abnormally low.

<sup>1</sup> Global Unions, [The road to sustainable recovery: IFI policies to create quality jobs, boost public services, and reduce inequality](#), April 2021.



**4. FUNDING FOR PANDEMIC LOSSES, NOT FOR PRIVATE PROFITS**

Emergency funding should be calculated to make up for the losses resulting from continued drops in ridership and increased costs arising from health and safety measures. Money should be used to cover workers' pay and benefits, and health and safety, and to keep services running, not to guarantee profit margins or keep companies that were unviable before the pandemic afloat.

**5. CONDITIONS AND OVERSIGHT WITH UNION PARTICIPATION**

Public transport authorities and operators receiving support should be required to protect workers' employment (including through the use of existing employment support, short-time work and temporary layoff schemes where available) and submit to democratic oversight structures with union participation. Private operators should be required to suspend payment of dividends and share buybacks, cap executive salary and submit to closer control by local authorities.

**LONG-TERM SUSTAINABLE FUNDING MODELS**

**6. MATCHING LPT EXPANSION WITH SUPPORT FOR OPERATING COSTS**

LPT services that are overly dependent on farebox revenues have been particularly vulnerable to excessive service reductions and closure during the pandemic. They will continue to be vulnerable to ridership fluctuations unless their funding models are altered. Covid-19 has made clear the need for sustained public funding, not only for LPT infrastructure and capital costs, but also to support operations. Subsidies should cover informal services as well as formal services and can be part of the process of formalisation.

Funding for necessary LPT expansion can be an important part of government plans to stimulate the economy and create jobs, but only when it is accompanied by funding models that ensure the maintenance of quality and affordable services and jobs, even in times of crisis.

**7. NEW PUBLIC FUNDING MODELS THAT REDISTRIBUTE**

During the pandemic and into the post-pandemic period, there is a growing need for governments to invest in a broad range of public services at the same time as the fiscal constraints they face deepen, especially in the Global South. This reality may limit what governments can easily invest in LPT and drive them towards private investors and PPPs as a short-term solution. However, the involvement of private finance and corporate operators has been shown to lead to greater costs and have a negative impact on service quality and wages and conditions in the long-term.

On a macroeconomic level, governments can enact and increase wealth, financial and corporate taxes to mobilise domestic resources. They can also strengthen the role of public banks in financing infrastructure and supporting small operators and workers. With regards to LPT in particular, new funding models that redistribute resources from capital and the wealthy to low-income workers and users are needed, along with measures to encourage LPT use over the use of private vehicles. Funding sources may include general budget transfers, earmarked property taxes and land value capture instruments, the reallocation of funds away from road construction to LPT infrastructure and operations, and road-use and congestion charging. Tables 5 and 6 in the Appendix to Report I provide an overview of potential national and local funding sources.



**8. TRANSPARENT USE OF FUNDS AND UNION PARTICIPATION IN DEVELOPING COST MODELS**

In many LPT systems, particularly in the Global South, lack of transparency about the costs of LPT services and the use of public money has allowed corruption and waste by private operators. At the same time, public conceptions that LPT systems cost too much money deter local authorities and taxpayers from exploring public ownership and operation as a viable alternative to privately-run services. Basing subsidies on rational cost models and requiring full transparency in the use of funds can lead to more efficient use of public money and help authorities and the public assess whether a service can be remunicipalised.

Workers have on-the-ground knowledge of what it takes to run services efficiently and safely, and their unions should be included in the process of determining safe and sustainable transport costs models, rates of pay and conditions. This is true for formal public and private services, and informal services newly covered by service contractors and/or subsidies.

**9. PROGRESSIVE FARE MODELS THAT ENCOURAGE LPT USE**

Fare increases, which are likely to disproportionately hurt low-income groups and essential workers most, should be avoided during the pandemic. Along with redistributive funding structures, local authorities should implement progressive or 'solidarity' fare models that redistribute while supporting mobility for low-income and vulnerable group. Fares should be rationally set at levels that encourage LPT use.

**10. EQUALISING PAY AND CONDITIONS**

Labour costs are a huge part of LPT operating costs and are ultimately paid by the public. Especially during the crisis, resources should

be used to protect the most vulnerable workers – those in low-income, insecure jobs, who are often women, immigrants and people of colour – along with services for low-income and other vulnerable users. To create LPT systems that are both financially viable and a basis for workers' solidarity, budgeting (and collective bargaining) practices should seek greater equality in pay and conditions as a basis for improved conditions for all workers at once across the public and private sectors and different modes and forms of employment.

**LPT RESTRUCTURING AND TRANSITION**

**11. DEFEND SERVICES FOR LOW-INCOME USERS AND JOBS FOR PRECARIOUS WORKERS**

The Covid-19 crisis has already led to cuts to LPT services and jobs and it is vulnerable users and workers who have suffered the most. In spite of demands from unions and users' groups and efforts by local and national authorities, it is likely that some LPT systems will be downsized in the near future. During the pandemic, it is important the unions prioritise the defence of precarious and informal workers, who are more likely to lose jobs and livelihoods, and defend the services that serve low-income communities and other vulnerable users.

**12. RESISTANCE TO PRIVATISATION: CONSIDERATION OF REMUNICIPALISATION TOGETHER WITH PROTECTION FOR WORKERS' JOBS IN THE TRANSITION**

LPT systems experiencing budget crises are already facing pressure to privatise or contract out in some places, but privatisation should not be misunderstood as a way out of financial difficulties. Proposals for new funding models can support union fights to keep LPT in public hands. Where private operators cannot fulfil contract



obligations or violate emergency funding conditions, cancellation of contracts and remunicipalisation should be considered. Alongside this should be clear protection for workers' jobs in the transition and sustainable funding models to ensure pressures to cut services and jobs resulting from the pandemic are not transferred to the public sector.

**13. FUNDING FOR CLIMATE ACTION AND JUST TRANSITION, NOT PRIVATE PROFITS**

The strengthening of LPT systems is an important part of efforts to reduce transport sector CO2 emissions. However, the discourse of environmental sustainability and green jobs is often used to justify the introduction of models that guarantee profits for private companies that promote micromobility and digital solutions, or manufacture, maintain and operate electric and low-emissions vehicles, rather than to support comprehensive policy responses, where regulations restricting private vehicle use complement low-emission vehicles and the expansion of mass transit. Moreover, clean fleet initiatives are generally initiated without adequate support for workers, who either must shoulder the burden of the cost of new vehicles or face losing their jobs when services using older vehicles are phased out.

Public funding should be directed towards

a modal shift that expands mass transit, publicly or worker-controlled clean fleets and micromobility and includes a just transition for workers whose livelihoods are affected by the phase out of environmentally unsustainable vehicles and services. Just transition programmes should aim to integrate affected workers into new sustainable systems.

**14. FUNDING FOR WORKER-CENTRED FORMALISATION**

IFIs and governments have claimed that the pandemic provides an opportunity to formalise informal LPT services, yet in many places this process is either not occurring or is taking place without input from or consideration for informal workers and their unions. On the other hand, some informal workers' unions are seizing the opportunity to demand funding for formalisation and to develop their capacity as agents in this process.

Governments and IFIs should fund the formalisation of informal LPT services and their integration with mass transit systems as an essential part of making LPT more sustainable, providing quality LPT services and creating good jobs. They should include informal workers' unions in the planning and implementation of formalisation processes and provide adequate support so that workers can continue to provide services in newly integrated systems.



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