

Conference on Infrastructure Investment

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Intergovernmental Organisation

linked to OECD
66 member countries

Think Tank

Policy analysis and research

Annual Summit

Forum for Ministers,
industry, research

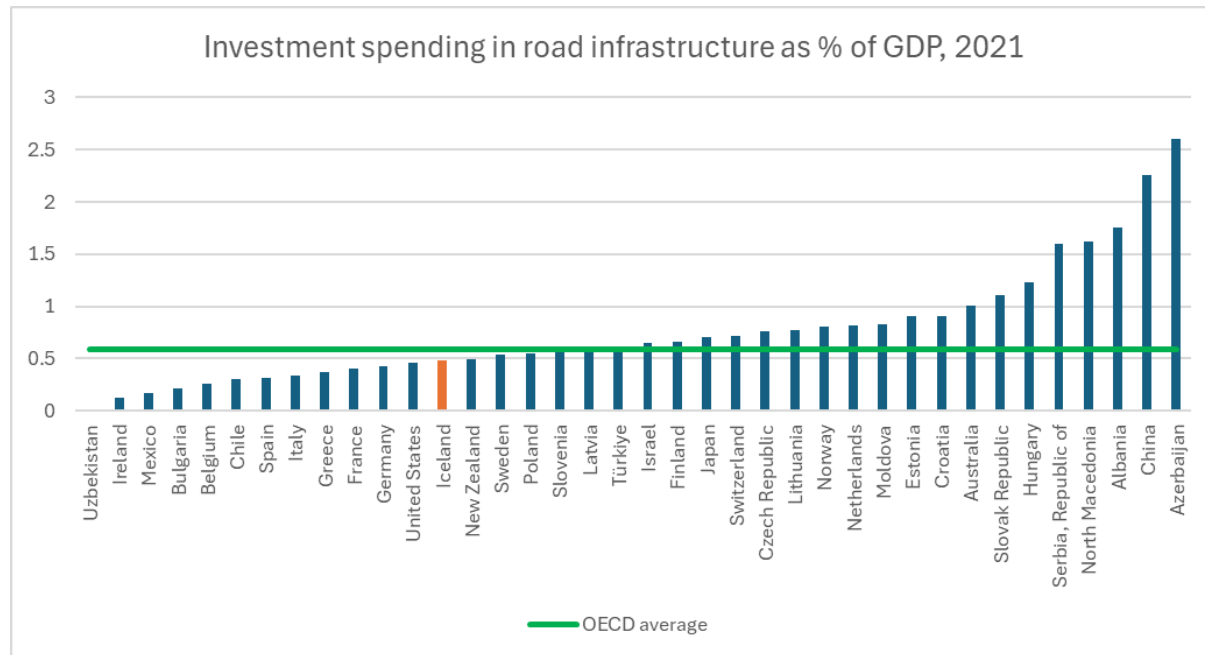


ITF Summits

- Annual fixture – 3rd week of May, Leipzig.
- 6 - 8 May 2026 , Leipzig , Germany , International Transport Forum
[Transport Enabling Sustainable Economies](#)



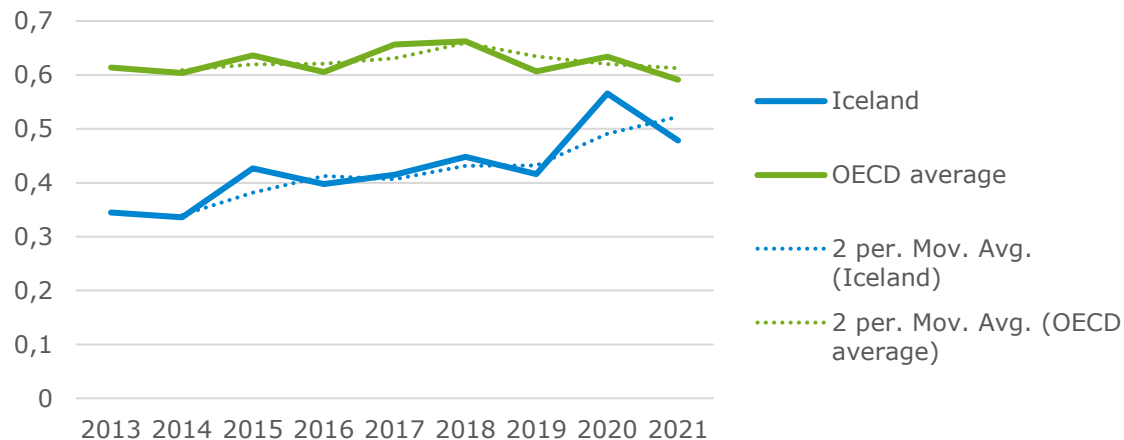
Why investment in transport infrastructure are low in developed economies – or are they at right level?



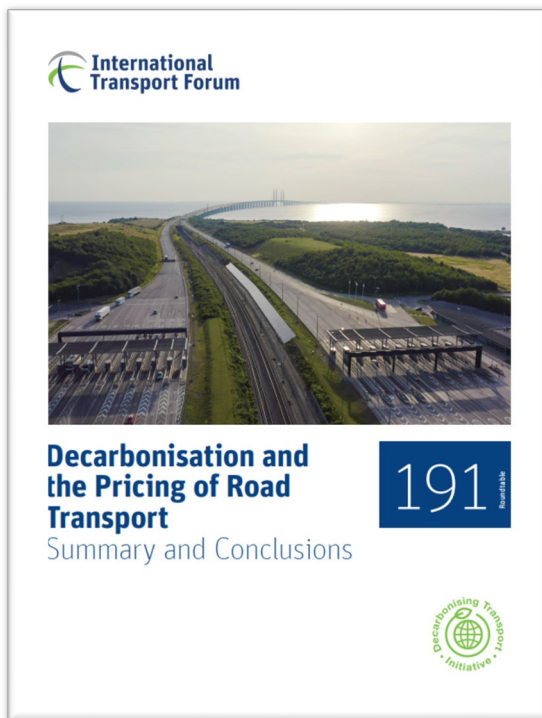
- Mature transport systems
- Increasingly diverting priorities
- Budget challenges in context of lower economic growth (tax revenues)
- Compared with Asia where geographical position key driver (middle corridor etc, Silk Road)
- Institutional differences (easier project decision processes)

Iceland vs OECD

Investment spending in road infrastructure as
% of GDP, 2013-21



- Differences not large
- Iceland actually on upward trend approaching OECD average
- Comparisons affected by different measurement of infrastructure spending in different countries



Roundtable event

- 47 participants from 20 ITF member countries (10 EU, 10 other)
 - Argentina, Chile, China, Colombia, Czechia, Denmark, France, Germany, Iceland, Ireland, Israel, Mexico, Netherlands, Norway, Poland, Romania, Singapore, Sweden, Switzerland, United Kingdom
 - European Commission, IADB, World Bank, OECD representatives
- Chaired by Thorsteinn Hermannsson (Iceland)

Key findings (1)

- Rapid electrification & stringent fuel economy standards are accelerating the long-term decline in fuel tax revenues (challenge and opportunity)
 - Commitments to end ICE sales in the near future will reinforce the trend
- Objectives of transport policy expanding
 - more weight on e.g. decarbonization, accessibility, safety, security!
- Alternative taxes are needed, and must be equitable & efficient
- Taxing EVs is essential on both these grounds
 - Low marginal cost per VKM would otherwise exacerbate congestion
 - Non-contribution to costs of road use would have serious equity implications
- Distance based charges can substitute for fuel taxes
 - They share the characteristic of linking road use with tax paid
 - Simple, undifferentiated charges are already being adopted
 - EV registration surcharges are also becoming common



Key findings (2)

- Differentiating charges by time and place is optimal
 - Allows congestion costs to be addressed & better addresses other external costs
 - But significant technical issues remain to be solved
- Adopting undifferentiated charges can have important short-run benefits:
 - Provides experience with road user charges, identifying issues & enhancing familiarity & acceptance
 - Addresses immediate revenue concerns
- Separate congestion charges can be used in conjunction with them
 - Achieves much of the potential gain at relatively low cost
- Need to rationalise EV incentives is also increasingly being recognised
 - Government budget not able to continue subsidies forever




Recommendations (1)

- Retain and reform fuel taxes
 - Continue to apply to all ICE vehicles, ensure tax internalizes external costs fully
- Urgently move to adopt simple distance-based charges for EVs
 - **Iceland at forefront**
- Adopt additional congestion charges where needed
 - Present these positively, as “sustainable mobility”, or “decongestion” charges
- Consider earmarking congestion charging revenue for improved active and PT



Recommendations (2)

- Set road user charges at levels that reflect decarbonisation objectives
 - Tax road use efficiently, to promote needed modal shift & demand management
 - Prepare urgently for the adoption of differentiated distance-based charges
 - The additional efficiency & equity gains from these should be pursued
 - Requires resolution of technical, legal and acceptability issues
 - Reform EV subsidies to better align incentives and policy goals
 - Move toward addressing harder to decarbonise areas – e.g., buses and trucks – and ensuring adequate charging infrastructure is available
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Draft recommendations (1)

- Governments should move to adopt the key recommendations of the *ITF's Decarbonisation and the Pricing of Road Transport report* as quickly as possible.
- Adopting distance-based charges, at a minimum for EVs, should be a priority
- Distance-based charges should be applied to heavy vehicles as a key plank of reform

Draft recommendations (2)

- RUC policy should be tailored to address the likely congestion and other impacts of AVs, ensuring their dissemination contributes positively to sustainable transport systems
- RUC reforms should be developed via detailed dialogue and consultation between levels of government and between governments and the public
- Keep sight of the fundamental need to move to a sustainable transport system when designing RUC reforms

The Future of Public Transport Funding

- **ITF working group report**
 - Jean Coldefy, TRANSDEV and France Mobilités.
 - Co-chair Jonny Saks, UK DfT.
 - TMB, TRC, RTG, CPB
- **40 members, representing 19 countries**
 - 9 EU, 10 other countries, EC & World Bank.



Role of PT

Covid funding crisis +

- Accessibility for all.
- Reducing GHG emissions through less car use.
- Efficient use of public space to keep cities running.




Core challenges

Invest more in public transport

- ➔ Modal shift is essential to meeting climate and accessibility goals.
- Evs not enough on their own, and transport is only sector where GHG not decreasing.
- EVs will not solve space consumption in cities, not yet equitable.
- ➔ Investments must match the shift needed.
- ➔ 1.5% of GDP between 2019 and 2050, or around USD 2.4 trillion annually (ITF).

Focus on efficiency

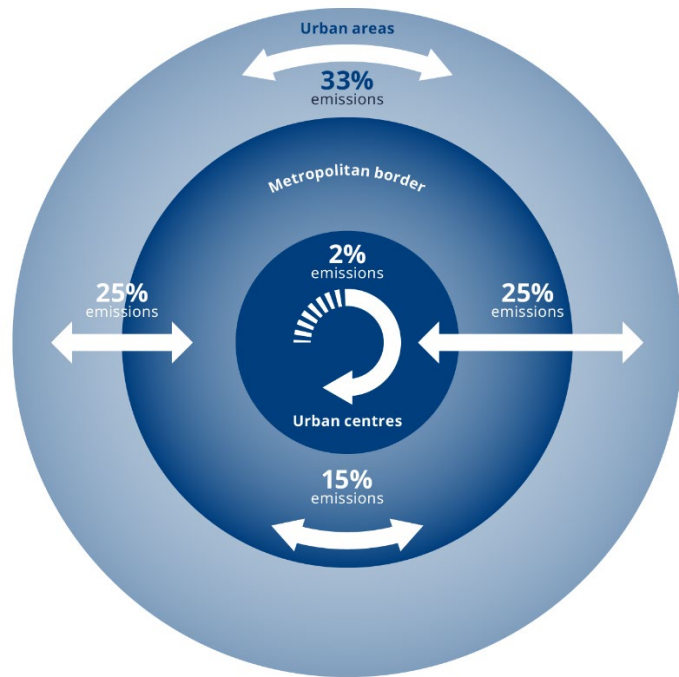
Contain funding requirement with more efficient infrastructure and service provision.

- ➔ Coordinated governance.
 - ➔ Competition.
 - ➔ Public investment decisions driven by efficiency.
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Geography of investing more in PT

Challenge is not only city centers but hinterland links.

- 50% of GHG emissions in functional urban area (where people live and work) come from center–periphery links.
- The supply demand ratio is 1:5 on average for periphery to urban centre links in France



The distribution GHG emissions from passenger mobility across urban areas

State of the art of funding and financing PT

4 pillars for funding and financing

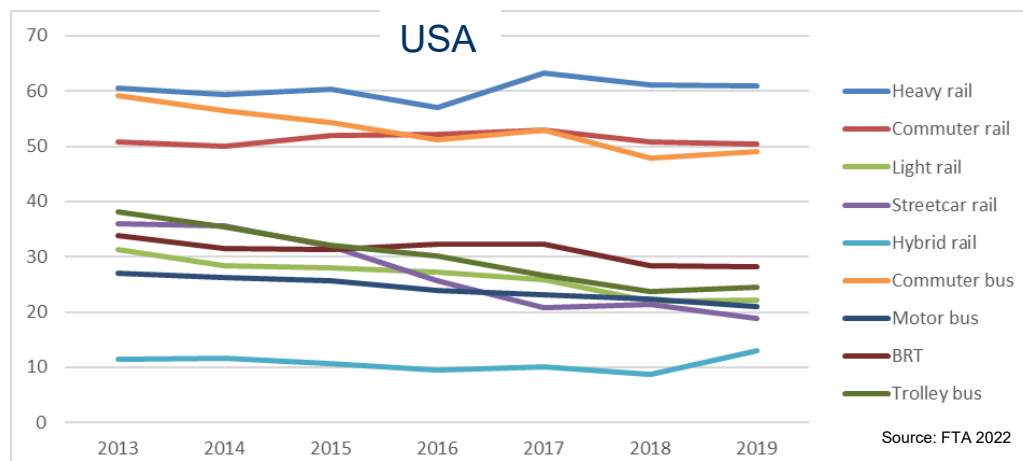
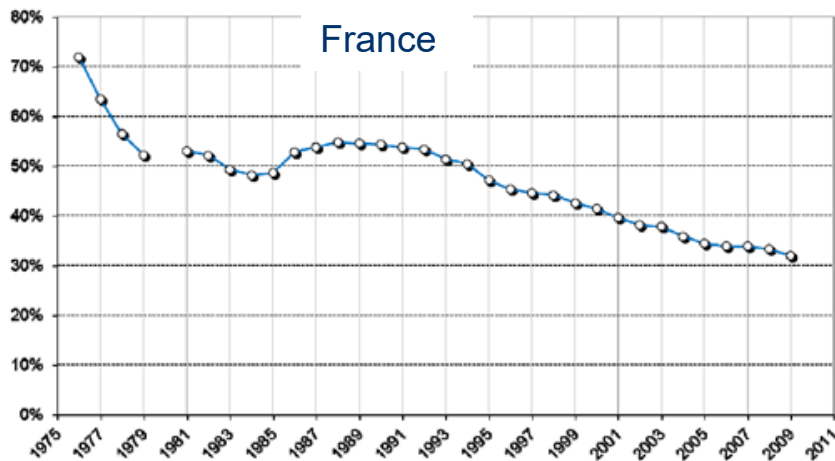
- User fares.
- Government budgets.
- Earmarked taxes.
- Taxes on indirect beneficiaries: property taxes, local business rates (land value capture).

Funding source	Specific funding options
Public transport users	Fare increases Discounted access passes (to increase users)
Government	
Earmarked taxes	Vehicle levies (registration surcharges) Fuel taxes Vehicle distance charging Selective road tolling Congestion charges Parking pricing Parking levies Parking taxes Utility levies (paid by electricity users)
Indirect beneficiaries of public transport	Property taxes Land-value capture Development or transport-impact fees Station rents Sale of air rights Employee levies (i.e. payroll tax surcharges) Regional sales taxes

Funding and financing: current situation

Funding requirement = capital investment + return on capital + operating & maintenance costs

- Too often focus is on financing infrastructure, while maintenance costs are managed later or by another structure.
- User funding is in long-term decline (revenue/operating cost ratio, R/O), France / USA.
- Inflation pressure on public transport budgets, increasing operating and investment costs, while fares are not adjusted.



Primary recommendations

1. Diversify funding with fares, general taxation, & specific local taxes on indirect beneficiaries.
Formulate integrated funding strategies for PT services
2. Improve the efficiency of PT to reduce demand for subsidies, with competition.
Make KPIs publicly available – simple cost per train km, pkm.
3. Adopt explicit fare policies, implemented by a formal processes.
Incorporate stakeholder, user & expert consultation for acceptability & less vulnerability to short term political pressure.
4. Use structured fares for more equitable accessibility without compromising overall revenue.
Base fares on need (distance & income level) not free use of PT for all.

Other considerations

- Resilience becoming increasingly important aspect
- Ability of the transport system recover from disruptions (climate, extreme events, natural disasters, security threats)
- Increasing pressure on government budgets to spend more on defense – dual use of the infrastructure
- Need to acknowledge what part of infrastructure spending is for defense purposes

Thank you

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