

THE CONTRIBUTION OF USERS TO FINANCING URBAN PUBLIC TRANSPORT

Public thematic report

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Summary

Widespread fare moderation and an increase in the number of reduced fares, which has led to a significant decrease in the contribution made by users to the financing of urban public transport

The legal framework applicable to urban public transport allows the transport authorities a great deal of freedom in establishing their pricing rules, which is justified given the decentralised nature of transport policy and, more specifically, the provision of regular public transport services.

A number of factors are contributing to the reduction in the proportion of revenue generated by fares paid by urban public transport users.

Firstly, fare increases are rarely based on pre-established rules and are low or infrequent, especially for season tickets which, outside the greater Paris region, rise at a much slower rate than inflation. The price increases reviewed were most often guided by a general concern for fare moderation.

At the same time, the disappearance of zone-based pricing and fares reflecting the distance travelled in favour of flat fares per journey has broken the link between the price paid and the actual use of transport services, and therefore their cost. The de-zoning of season tickets and, more recently, the introduction of a single fare in the Île-de-France region are part of this general trend, which is unique to France.

Moreover, the introduction of reduced or free fares over the last twenty years, whether for social, solidarity-based, or commercial reasons, resulted in 50% of journeys having been made at a reduced fare in 2022, and 10% free of charge on networks outside the Île-de-France region. More recently, a number of large and medium-sized transport authorities have experimented with free transport, previously limited to small public transport networks. Several have also introduced partial free travel, reserved for certain categories of people or on certain days of the week. This has resulted in a significant loss of revenue and an increase in passenger numbers, which is putting pressure on the service offering.

These fare policy decisions were often taken without any prior study of their impact on finances and therefore on the public transport offer, and in particular independently of the structuring work on transport assessment and planning provided for in the Transport Code. As a result, the preparation and assessment of the most significant fare changes have often been inadequate, even in cases of radical fare change, such as the introduction of free fares, which should have been subject to in-depth analysis. The obligation to be transparent about the costs and financing of urban public transport (publication of transport accounts required by the Transport Code) is not always respected, and the consultation bodies (partners' committees) have not always played their role.

Moderate fares and the wide range of discounts (for young people, senior citizens, students, etc.) benefit all users, sometimes at a high cost, without targeting the most disadvantaged. Most transport authorities have also introduced social fares for specific categories of users (jobseekers, asylum seekers, recipients of certain social benefits). However, these reductions are often based on status (so-called social fares) rather than on

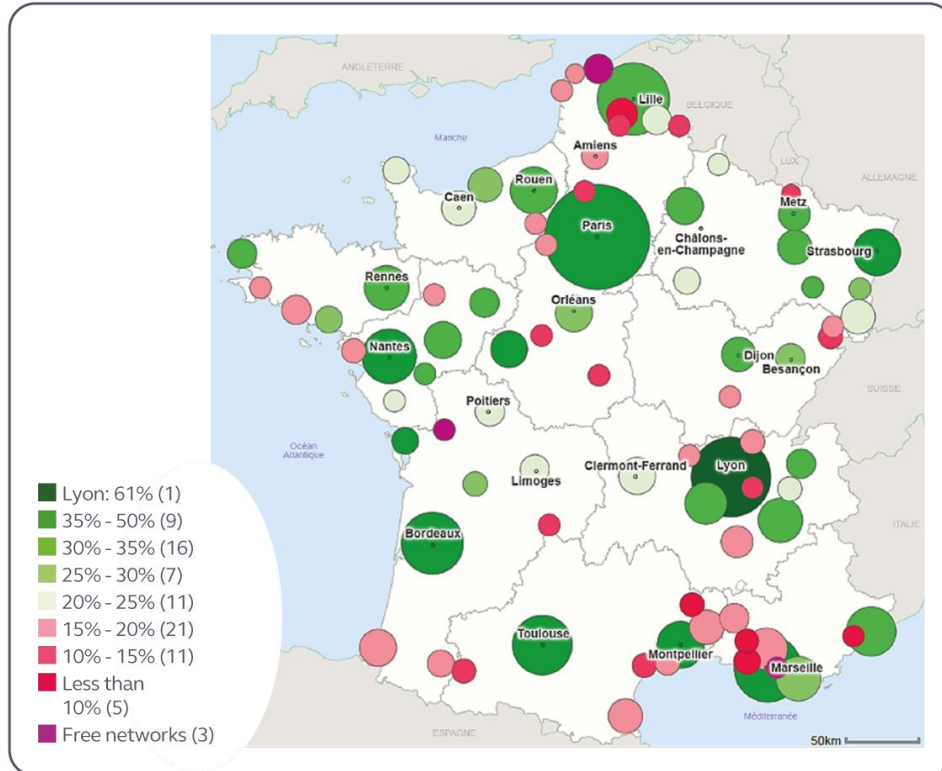
income (solidarity fares), and some low-income users are not eligible for them. For example, the legal obligation to offer a fare reduced by at least 50% for the 10% of the population with the lowest incomes is not systematically complied with by transport authorities, even though most of them offer similar schemes, for example in the form of reductions for beneficiaries of the complementary health insurance scheme (CSS), which is itself means-tested. The lack of information about these schemes can also contribute to the exclusion of certain groups targeted by the law.

A fall in the share of contributions paid by users offset by the increase in the employers' mobility tax and the contribution from local authorities, itself financed by taxpayers

Combined with de-zoning and the increasing proportion of season tickets, fare moderation is leading to a reduction in the relative contribution made by users to the financing of public transport. Added to this is the extension of transport networks to less densely populated outlying areas, as a result of urban sprawl and the expansion of the transport authorities' territorial jurisdictions. The new routes serving these areas are less busy, resulting in a lower cost coverage rate.

Fare revenue covered only 41% of transport network operating expenditure in 2019, the last year for which this ratio was measured, amounting to approximately €5.7 billion out of total expenditure of €13.9 billion (€8.5 billion in Île-de-France; €4.9 billion in the rest of France). This ratio varies according to the size of the transport authority: it reached 45% in Île-de-France (IDF), but only 33% outside IDF and 18% for authorities serving fewer than 100,000 inhabitants. This difference is due to lower fares and, above all, lower passenger numbers.

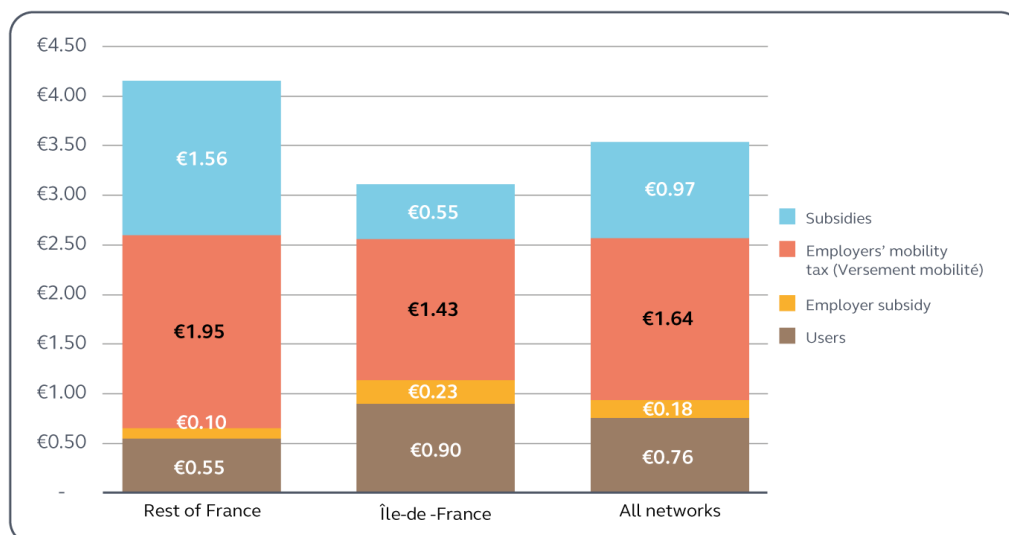
Ratio of fare revenue to operating expenditure by network in 2019



Source: Cour des comptes, based on UTPF "key figures", taken from the urban public transport survey (DGITM-Cerema-Gart-UTPF) and the transport account/Île-de-France Mobilités (omnilfr). The size of the elements is proportional to the population covered by the transport authority (for the sake of legibility, that of the Île-de-France has been greatly reduced). Operating expenses exclude depreciation and amortisation.

Taking all costs into account, including capital expenditure (€20.2 billion in 2019), the proportion covered by fare revenue was even lower, at 26% for all networks. Considering certain forms of financial assistance, such as subsidies paid by employers to their employees, the contribution actually borne by users was only around 22% in 2019, so users may not be aware of the real cost of the services offered. In this respect, the transport authorities should provide the public with data on the cost and financing of these services.

Average total cost of urban public transport per trip, and share of various contributors in overall funding in 2019



Source: calculations by the financial jurisdictions, based on data from the public transport survey (DGITM-Cerema-Gart-UTPF) and IDFM. Employer subsidies are estimated on the basis of Acoess data. N.B. A trip corresponds to a complete journey, which may include several successive journeys where changes are required. Taking the tram and then the bus counts as one trip and two journeys.

Explanation: on average in France, a journey by urban public transport costs €3.55, but the fare paid by the user only covers €0.97, and after deducting employer subsidies, the cost to the user is only €0.76.

Against a backdrop of rising costs, the fall in user contributions has resulted in the increased use of the employers' mobility tax, which is another French peculiarity. This tax, which is deducted from the payroll of companies with 11 or more employees, provided 46% of the funding for the total cost of urban public transport in 2019, i.e. around €9.3 billion. Its rate, set by the local authorities, has now reached the maximum allowed by law for the major transport authorities. In many cases, therefore, local authority subsidies, financed by taxpayers, have been used as an adjustment variable for the funding of urban public transport for several years now.

This situation is now creating financial tensions, amplified by the economic crisis and the rise in inflation in the early 2020s, which are threatening the implementation of investment projects for lack of sufficient funding. However, this investment is needed to make bus fleets greener and develop public transport services, in order to encourage modal shift and ensure the success of the ecological transition.

Acknowledging this financial incongruity, IDFM and the French government signed a memorandum of understanding in September 2023. This agreement includes the principle of stabilising IDFM's share of urban public transport funding. It is based on fare increases at least equal to inflation and provides for new tax revenue. This trajectory, if adhered to, would effectively secure IDFM's resources, but this type of agreement remains an isolated case.

More generally, the already high level of the employers' mobility tax and the financial constraints weighing on the transport authorities call for a rebalancing of the sources of funding for transport services, particularly for the largest networks. Such a rebalancing would imply increased user contributions through a fare increase, accompanied by lower fares for the most disadvantaged users.

In large networks, a virtuous circle can be established, combining improvements in the offer (extension of the service, but also improvements in frequency, regularity, comfort and safety), and dynamic fare development. In practice, the development of the service attracts

new users, particularly motorists, which increases passenger numbers and the coverage of costs by revenue, as has been seen in Lyon. In addition, improving public transport makes it easier to accept measures aimed at limiting car use, which themselves contribute to modal shift. It is subject to these conditions of network coverage and service frequency and quality that new users will turn to public transport.

However, this strategy, which includes fare increases, may prove more difficult to implement in intermediate-sized networks and smaller networks, particularly in rural areas, where public transport provision and use will remain structurally weaker despite development efforts.

Lastly, the fight against fraud is another source of additional revenue and must also be stepped up in the context of financial constraints and, possibly, increased user contributions. The transport authorities must give full importance to this action, by setting objectives for the operators, and the State must support them in this effort, in particular by giving them access to adequate control resources.

Pricing needs to be adjusted, while protecting the disadvantaged

In recent years, the debate on fares has often focused on the issue of making urban public transport partially or totally free, which is supposed to accelerate the ecological transition and modal shift. However, while in the case of small networks, free travel can be a solution to the problem of under-use, in large and extensive networks it has negative financial effects, while at the same time providing only a very limited modal shift.

In some small networks, urban public transport lacks appeal. Buses in these areas often run almost empty, and an increase in the number of services offered has little effect on passenger numbers, whereas a reduction in fares has a more significant impact. In these cases, free urban public transport can significantly increase passenger numbers for a limited relative cost.

Similarly, for medium-sized transport authorities with structurally lower fare revenues, free travel is attractive because it increases passenger numbers in the short term without additional services. However, this strategy is risky in the medium term, particularly in the event of a significant increase in passenger numbers: there could be insufficient resources to finance the increase or improvement in service.

In any case, this is not the case for the major networks that are already well used, where the introduction of free travel is very costly because it results in a significant loss of fare revenue and generates additional costs linked to the need to reinforce the existing network, which comes under greater strain. The implementation of free travel is also likely to compromise plans to extend the offer by depriving the transport authorities of financial resources. In addition, as the employers' mobility tax is generally already at the maximum rate on the major networks, the cost of free travel is necessarily financed by the local authority budget, i.e. by the taxpayer, for users' benefit.

As far as modal shift is concerned, free public transport undoubtedly and naturally increases the use of public transport, but mainly in urban centres for short journeys, to the detriment of walking and cycling rather than the car, as shown by feedback from various studies in Europe and France.

The increase in passenger numbers can therefore lead to saturation of a network that is already heavily used, causing dissatisfaction among regular users, some of whom have no other transport solution, unlike some additional "opportunistic" passengers.

A commitment to developing the offer, accompanied by a rise in fares to finance it, is

often a more robust and effective strategy. A fare policy could be used to finance the transport supply shock needed for the ecological transition. The issue of pricing would benefit from being integrated into the mobility plan and considered as a tool of transport policy, in particular to develop the offer, which facilitates the acceptance of price increases among users. In this respect, it is essential to conduct studies of transport needs on a more regular basis. Similarly, the transport authorities would benefit from introducing fare indexation systems more systematically, to make fare changes more automatic. Lastly, an assessment of de-zoning, which has the effect of significantly disconnecting the fare from the cost of use, is necessary, particularly in the biggest networks, to assess the consequences in terms of mobility behaviour and even residential choices.

As a necessary complement to increasing user contributions, it would be necessary to develop “solidarity” pricing for people on the lowest incomes. By improving the targeting of fare reductions on the most disadvantaged users, this would not significantly reduce business revenue, i.e. the financial contribution of all users, provided that the fare structure is overhauled more generally, in particular by reviewing certain fares based on status (young people, senior citizens, etc.). At the same time, measures to simplify administrative procedures and communicate this information should be promoted so that all disadvantaged people can actually benefit from the lower fares provided for them. This type of in-depth reform has already been carried out by more than forty networks that have adopted “solidarity” pricing.

The State has a role to play in this reorganisation of fares, despite the decentralised nature of urban public transport fares. It must ensure that technical and economic data on urban public transport is produced and shared, by maintaining and even improving the annual national survey of urban public transport, which continues to be performed but whose quality has declined.

It should also encourage the transport authorities to carry out a socio-economic assessment prior to any proposed fare change involving a significant loss of revenue. Lastly, to prevent the State from financing measures to reduce fares across the board or make them free of charge, the subsidies it pays to the transport authorities could be adjusted according to the contribution made by users.

Recommendations

1. Provide information on the costs, financing and use of urban public transport in a form accessible to the public, in accordance with article L. 131-8 of the Transport Code (travel accounts) (*transport authorities, Gart (association of transport authorities), Ministry of Transport; 2027*).
2. Step up the fight against fraud, in conjunction with the relevant authorities, by setting operators binding targets for resources and results, together with financial incentives to achieve them (*transport authorities, Gart, Ministry of Transport, Ministry of the Economy and Finance and Industrial and Digital Sovereignty; 2026*).
3. Ensure that the proportion of users paying a standard fare is maintained by refocusing fare reductions on means-testing (*transport authorities, Gart, Ministry of Transport; 2026*).
4. Make it easier for transport authorities to access the information needed to automatically grant preferential fares to vulnerable people (*Ministry of Transport, Ministry of the Economy and Finance and Industrial and Digital Sovereignty; 2026*).
5. Improve the national survey on urban public transport, in particular by strengthening the information obligations of operators and transport organisation authorities (*Ministry of Transport; 2027*).
6. Encourage transport organisation authorities serving more than 100,000 inhabitants to carry out and publish an ex-ante and ex-post socio-economic assessment of significant fare changes (*Ministry of Transport; 2026*).
7. When granting State aid to transport organisation authorities, take into account the contribution made by users to the financing of public transport (*Ministry of Transport; 2027*).