Portugal: Reducing the costs of daily commuting to protect the environment and reduce inequalities

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The programme supporting price cuts for public transport has just come into force. This is an important measure in a country characterised by low salaries and high (in-work) poverty rates and where no in-work benefits are in place. However, its implementation in the territory must be considered carefully in order to avoid geographical inequalities.

Description

The programme supporting price reductions in public transport has just come into force (since 1 April 2019). It has two main objectives. First, to protect the environment through the promotion of public transport. Secondly, to reduce inequalities: insufficient funding of public transport leads to tariffs that are "often prohibitive and a cause of social exclusion especially in metropolitan areas where inequalities are higher" (Portugal, 2019).

The programme aims at substantially decreasing household expenditure on public transport by subsidising transport companies. For example, the cost of a monthly transportation pass for the metropolitan area of Lisbon or Porto is €40. If, instead of covering the entire metropolitan area, it covers only one municipality, it costs €30. This is a price reduction of approximately €100 for the most expensive passes available before the programme (whose price could reach €140).

A monthly family pass is also to be made available. This should cost the same as two monthly passes, and will mean that, for example, a couple with two children commuting in the aforementioned territory will have maximum total public transport costs of €80/month. However, its implementation was postponed to July 2019 due to its technical complexity. Children aged up to 12 do not pay. Students, disadvantaged people (e.g. beneficiaries of the minimum income scheme, people with an equivalised mean monthly income below €522.92, etc.) and the elderly (people aged 65 or over) will be entitled to a discount that may be as much as 50%.

In total, municipalities will receive €104 million from the State Budget to promote the use of public transport. They are expected to co-fund the programme by providing €2.6 million (2.5% of the total). Co-funding is expected to rise to 10% in 2020 and 20% as from 2021.

At least 60% of the funds are to be used for the price-cutting programme. The remainder is to be used to increase the supply of public transport.

There seems to be general political consensus on these measures. However, some members of the opposition parties, particularly of the centre-right Social-Democrat Party (PSD), consider that the timing of the entry into force of the measure smacks of electioneering. They also consider that the programme will be funded by all tax-payers while the main beneficiaries will be those living in metropolitan areas.

The current design of the programme is focused on existing territorial units combining various municipalities, i.e. metropolitan areas and inter-municipal communities. Thus, the passes cover commuting trips within these territorial units.

However, over the years the number of people from municipalities outside the metropolitan areas but commuting to

Lisbon or Porto has been increasing, due to improved connections and the rise in housing prices in the main cities and surrounding municipalities. Currently, these situations are not covered by the programme.

Outlook and commentary

The programme supporting price cuts in public transport is undoubtedly important from a social policy perspective. Transportation costs are an important expense for many households, particularly in a country characterised by low salaries, and with a high at-risk-of-poverty rate (18.3% versus 16.9% at EU level) and in-work poverty risk rate (10.8% versus 9.4%) (in both cases: EU definition; source: 2017 EU-SILC data from Eurostat). According to data issued by Statistics Portugal, at the end of the fourth quarter of 2018, one out of four employees earned less than €600/month and nearly two out three earned less than €900/month.

Moreover, according to data issued by the Ministry of Labour, Solidarity and Social Security, during the first half of 2018, the national minimum wage, currently standing at €600/month, was the salary set for 40.2% of all new contracts established within the scope of the Labour Compensation Fund, compared with 23.3% in the same period of 2014.

The measure is also important since there are no in-work benefits in Portugal. One of the goals of the current government programme (2015-2019) is to establish an annual income supplement in the form of a tax credit; this is expected to increase the income of low-wage households, but has not yet been put in place.

Although the programme is clearly significant from a social policy perspective, it must address possible territorial inequalities arising from its implementation. If these inequalities are not addressed by the programme, those commuting from municipalities outside the two metropolitan areas to Lisbon or Porto will be faced with public transport costs several times higher than those commuting within the metropolitan areas.

It would also seem sensible to avoid piecemeal approaches and to clearly embed the programme within a wider comprehensive strategy for fighting poverty and social exclusion. No such strategy currently exists.

Further reading

Portugal (2019), Despacho n.º 1234-A/2019 dos Gabinetes dos Secretários de Estado do Orçamento e Adjunto e da Mobilidade, Diário da República, 2.ª série — N.º 24 — 4 de fevereiro de 2019 [Dispatch 1234-A/2019 of the Cabinets of the State Secretaries for the Budget and for Mobility, Official Gazette of the Portuguese Republic, 2nd series – number 24 – 4 February 2019], available at: https://dre.pt/application/conteudo/119190179.

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