



Governance and Finance of Metropolitan Areas in Switzerland

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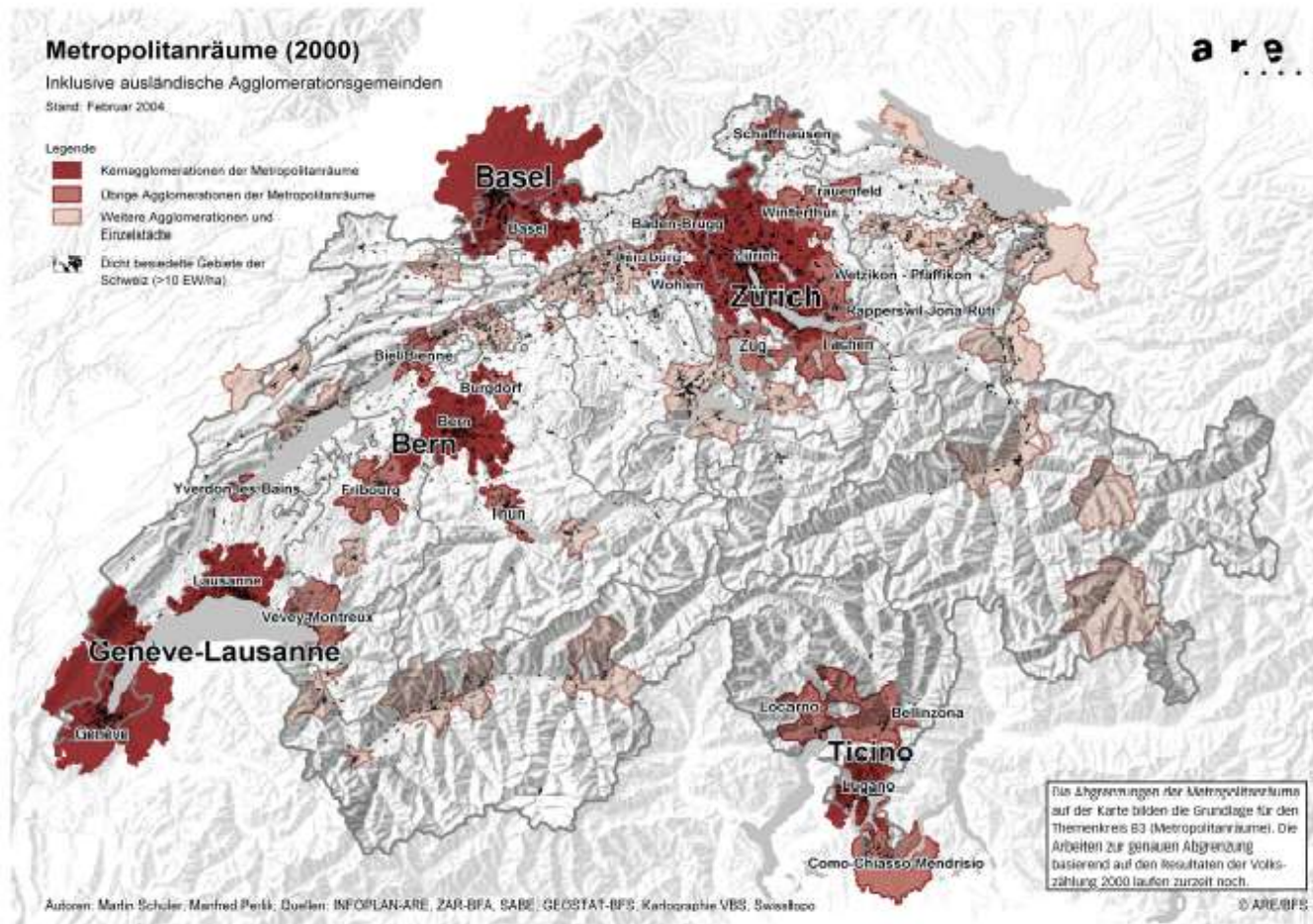


Outline

1. The national context
2. Role and responsibilities of upper level gvts
 - federal government
 - cantonal government
3. Metropolitan governance in Zurich and Geneva
4. Municipal expenditures, revenues and transfer payments in Zurich and Geneva
5. Lessons



1. The national context





1. The national context

Table 1: Population of the four largest cities and their metropolitan areas, 1970-2008

	1970	1980	1990	2000	2008**	% change 1970-2008
<i>Overall population of metropolitan area</i>						
Zürich	719'324	838'664	940'180	1'080'728	1'169'430	+62.6
Geneva*	321'083	363'953	424'028	471'314	513'465	+59.9
Basle*	381'453	366'865	406'391	479'308	495'886	+30.0
Berne	284'737	298'125	332'494	349'096	353'896	+24.3
<i>Population of core city</i>						
Zürich	422'640	369'522	365'043	363'273	382'577	-9.5
Geneva	173'618	156'505	171'042	177'964	184'867	+6.5
Basle	212'857	182'143	178'428	166'558	168'884	-20.7
Berne	162'405	145'254	136'338	128'634	128'180	-21.1
<i>Metropolitan area population outside core city (%)</i>						
Zürich	41.2	55.9	61.2	66.4	67.3	+38.7
Geneva*	45.9	57.0	59.7	62.2	64.0	+28.2
Basle*	44.2	50.4	56.1	65.3	65.9	+33.0
Berne	43.0	51.3	59.0	63.2	63.8	+32.6
<i>Number of communes in metropolitan area</i>						
Zürich	51	81	101	132	131	+61.1
Geneva*	28	45	71	74	74	+62.2
Basle*	24	26	38	74	74	+67.6
Berne	19	22	34	43	42	+54.8

* excluding foreign communes (for cross-border agglomerations)

** Territorial definition of 2000

Source: Swiss Statistical Office (data of population censuses, data of population estimation for 2008)



1. National context

Table 1: Institutional Fragmentation of Agglomerations over 200'000 Inhabitants, international comparison (data for the Year 2000 or near)

Country	Portion of the Core City- to the Agglomeration Population (Average of all Agglomerations)	Number of Municipalities for 100'000 Inhabitants (Average of all Agglomerations)	Fragmentation Index according to Zeigler and Brunn (1980)
Sweden	58%	2	0.03
Canada	66%	1	0.04
The Netherlands	50%	2	0.05
Spain	64%	3	0.05
Poland	59%	3	0.06
Norway	54%	4	0.08
Hungary	75%	3	0.17
Czech Republic	70%	21	0.3
Germany	31%	18	0.63
USA	34%	15	0.71
Switzerland	30%	21	0.73
France	36%	32	1.06

Source: Hoffmann-Martinot und Sellers (2005)



1. National context

'Agglomeration problems'

- Financial spillovers (externalisation of costs by suburbs)
- Socio-demographics of core city requires more public exp.
- Co-ordination between municipalities ('regional scope')



1. National context

Table 2: Centrality charges of core cities in Swiss agglomerations in 2002, indexed (mean of all suburban municipalities = 100)

	Large agglomerations Zurich, Bern, Lausanne, Geneva		Middle agglomerations (50'000 – 250'000 inhabitants)	
	Core city	Suburbs	Core city	Suburbs
Police*	542	100	602	100
Culture and leisure*	379	100	361	100
Health	143	100	142	100
Transport*	166	100	164	100
Welfare*	216	100	140	100
Tax charge on an income of 60'000 Fr. **	112	100	106	100
Tax charge on an income of 100'000 Fr **	114	100	104	100

* Net charges per capita (i.e. current expenditures that are not covered by purpose-oriented incomes).

** Mean of taxes of single-earner households with 2 children with a gross yearly income of 60'000 respectively 100'000 Fr. (communal, cantonal and church taxes).

Source: Kuster und Meier (2005)



2. Role of upper level gvts

Table 2: Distribution of powers and responsibilities between federation, the cantons and the communes

<i>State levels</i>	<i>Policy domains</i>
Predominantly Federation	Currency and Monetary System; National Defense; Customs; Postal service and Telecommunications; Aviation; Railways; Foreign Relations; Television and Radio Broadcasting; Nuclear energy; Criminal Law; Asylum Seekers; Professional Education; Research, Alcohol and Drugs.
Predominantly Cantons	Police; Religious Affairs; Hospitals and Public Health; Energy; Regional Planning; Higher Education; Prisons; Regional economic promotion.
Predominantly Communes	Public transport (in cities); Gas, electricity and water supply; Waste Disposal; Social Welfare; Culture; Local Planning and Construction.
Federation and cantons	Territorial Development; Agriculture; Environmental Protection; Trade, industry and labour; Civil and Criminal Law; Highways and Roads; Social Security.
Cantons and communes	Cantonal roads; Health supply; Public schools and vocational training; Sport

Source: Serdült and Schenkel (2007)



2. Role of upper level gvts

Public expenditures by state levels (in 2006)

- Federation: 31%
 - welfare (27%), transfer payments (21%), traffic (15%), national defense (13%), education (9%)
- Cantons: 42%
 - education (25%), health (19%), welfare (19%), traffic (9%)
- Municipalities: 29%
 - education (22%), health (20%), welfare (17%), traffic 7%)



2. Role of upper level gvts

Public income by state levels (in 2006)

- Taxes:
 - Direct taxes 55% (Fed 47%, cantons 33%, munic. 20%)
 - Indirect taxes 13% (Fed 100%)
- Transfer revenues:
 - General 4% (Fed 0%, cantons 74%, munic. 26%)
 - Earmarked 11% (Fed 0%, cantons 67%, munic. 33%)
 - Investments 4% (Fed 45%, cantons 38%, munic. 17%)
- Other revenues:
 - Fees etc. 3%



2. Role of upper level gvts

In metropolitan areas

1. Federal government: "agglomeration policy"

- cities and agglomerations mentioned in the federal constitution since 1999 (together with mountain areas)
- improvement of intergovernmental coordination
 - *Conférence tripartite sur les agglomérations* (CTA)
 - Innovation fund for new cooperation schemes
- significant funding for traffic infrastructure projects
 - for *Projets d'agglomération*
 - 2.6 bio CHF in 2006 (23 urgent projects)
 - 3.4 bio CHF from 2007 onwards



2. Role of upper level gvts

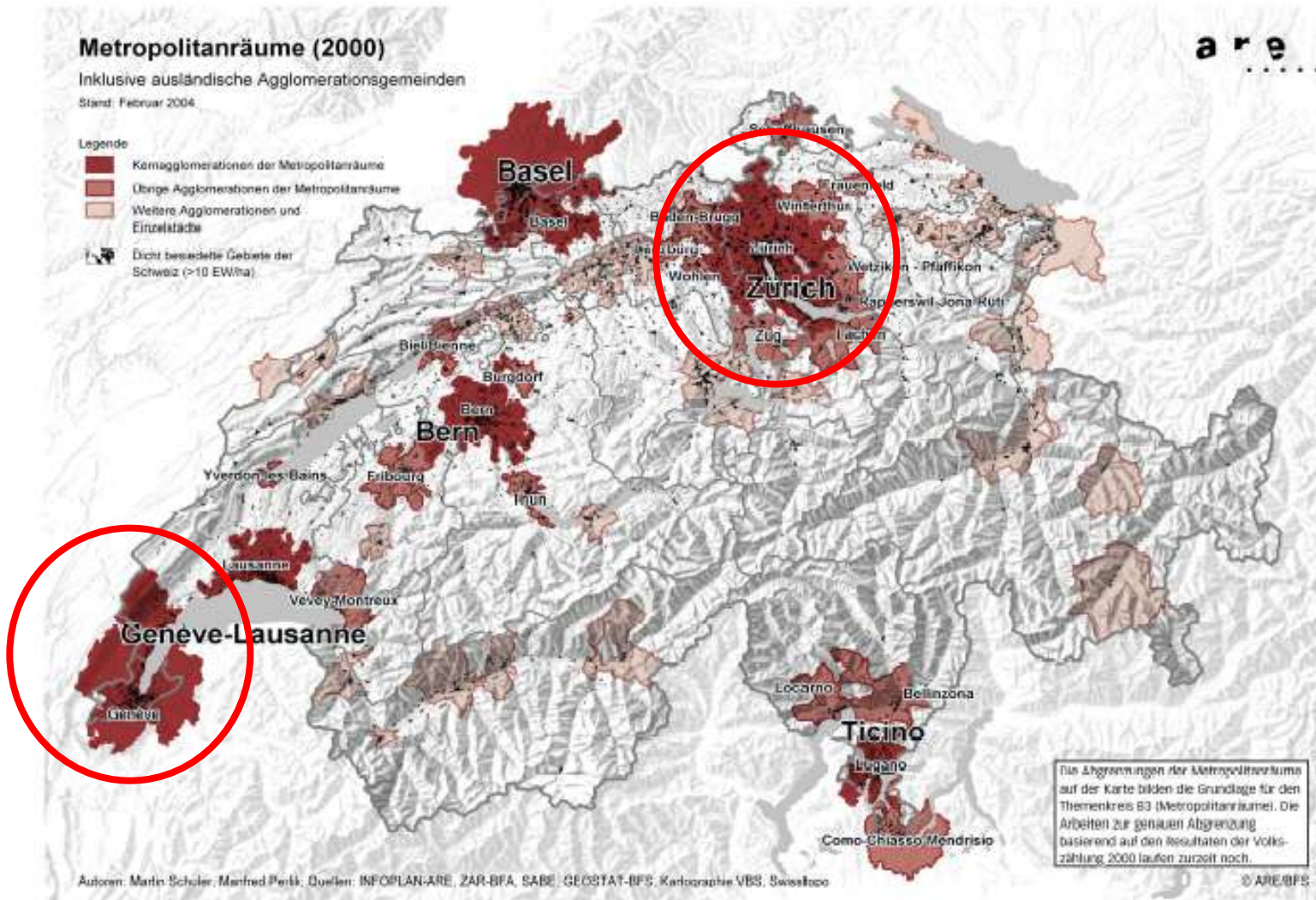
In metropolitan areas

2. Cantonal governments:

- reforms of systems of intermunicipal finance
- some cantons: territorial development strategies
- some cantons: attempts of institutional consolidation



3. Zurich and Geneva





2. Zurich and Geneva

Table 3: The Ten Largest Swiss Agglomerations

Agglomeration	Population	Number of Municipalities	Cantons / foreign territories
Zurich	1'080'728	132	Zurich, Aargau, Schwyz
Basle	731'167	127	Basel-Stadt, Basel-Land, Solothurn, Aargau, Baden-Wuerttemberg (D), Alsace (F)
Geneva	645'608	131	Geneva, Vaud, Ain (F), Haute Savoie (F)
Berne	349'096	43	Berne, Fribourg
Lausanne	311'441	70	Vaud
Como-Chiasso	273'801	70	Ticino, Como (I)
Lucerne	196'550	17	Lucerne, Nidwalden, Schwyz
St. Gallen	146'385	11	St. Gallen, Appenzell I.Rh., Appenzell A.Rh.
Lugano	136'032	77	Ticino, Varese (I), Como (I)
Winterthur	123'416	12	Zürich

Source: Schuler et al. (2005)



3. Zurich and Geneva: governance

Zurich

- 132 municipalities
- Service delivery:
 - Cantonalisation of some tasks (public transport in 1990)
 - Myriad of single purpose intermunicipal schemes (regional planning, garbage, waste water, health: 70%)
- Projet d'agglomération: 2007
 - Central train station improvement (677 mio CHF)
 - Light rail North-East (650 mio CHF)
 - Tram Zurich West (150 mio CHF)

Cost sharing: Fed 1/3, canton & municip. 2/3



3. Zurich and Geneva governance

Geneva:

- 131 municipalities (42 in GE, 32 in VD, 51 in France)
- Service delivery:
 - Centralization at level of canton GE
 - Cooperation with canton VD and France
 - Comité régional franco-valdo-genevois (1974)*
 - Conseil du Léman (1987)*
 - Projet d'agglomération franco-valdo-genevois (2005)*
- **Projet d'agglomération: 2007**
 - Heavy rail connection to Annemasse (941 mio. CHF)
 - New tramline North West suburbs (210 mio. CHF)
 - New tramline South West suburbs (??? mio. CHF)

Cost-sharing: Fed. 850 mio CHF



4. Zurich finance: expenditures

Table 3: Net public expenditures (only operating expenditures) of communes in the metropolitan area of Zurich, 2008 (N=104)

	Central City		Suburbs		Total Agglomeration	
	CHF p.c.	%	CHF p.c.	%	CHF p.c.	%
Public administration	-10	-0.16	389	13.79	385	13.49
Defense and recovery	710	11.24	155	5.49	160	5.61
Education	2067	32.74	1301	46.13	1309	45.86
Culture and leisure	676	10.71	123	4.36	128	4.49
Health	654	10.36	235	8.34	239	8.38
Social welfare	1732	27.43	457	16.19	469	16.43
Traffic	635	10.06	194	6.87	198	6.93
Environment and planning	98	1.55	59	2.09	59	2.08
Economics	-248	-3.93	-92	-3.26	-94	-3.28
Finances and taxes	-5817	..	-3000	..	-3027	..
Total net expenditures (without finances and taxes)	6314	100.00	2820	100.00	2854	100.00

Source: authors' calculations based on data from the Statistical office of the canton of Zurich



4. Zurich finance: revenues

Table 4: Communal tax revenues in the metropolitan area of Zurich 2008 (N=104)

	Central City		Suburbs		Total Agglomeration	
	CHF p.c.	%	CHF p.c.	%	CHF p.c.	%
General tax (incl church*)	5799.85	94.94	3854.52	91.94	3873.23	91.98
thereof income tax	4090.81	66.97	3440.43	82.06	3446.68	81.85
thereof business tax	1709.03	27.98	414.09	9.88	426.55	10.13
Other taxes	308.87	5.06	337.92	8.06	337.64	8.02
Total revenues	6108.72	100.00	4192.44	100.00	4210.87	100.00

* The Reformed, Roman Catholic and Christ Catholic parishes raise their own taxes which are collected by the commune

Source: authors' calculations based on data from the Statistical office of the canton of Zurich



4. Zurich finance: transfers

Fiscal equalization scheme between communes

- Equalization of tax capacity (since 1966)
- Equalization of tax rate differences (since 1966)
- Compensation of centrality charges (since 1999)

Table 5: Financial transfers between communes in the Zurich metropolitan area 2008 (in CHF, N=104)

	N communes	Population (average)	Transfers p.c. (average)	Tax revenues p.c. (average)	% transfers on tax revenues (average)
Contributing communes	24	7,987	1,827.09	6,864.14	19.79
Receiving communes	37	15,427	767.46	3,140.74	27.43
Steuerkraftausgleich	28	5,705	592.59	3,048.85	21.99
Steuerkraft- + Steuerfussausgleich	8	6,241	1,432.87	3,091.37	49.19
Steuerkraft- + Lastenausgleich (Zürich)	1	361,129	340.68	6,108.72	5.58
Communes who neither contribute to nor receive transfer payments	43	6,704	..	3,650.78	..

Sources: authors' calculations based on data from the Statistical Office of the canton of Zurich as well as from the Budget office of the City of Zurich



4. Geneva finance: expenditures

Table 6: Public expenditures (only operating expenditures) of communes in the Geneva metropolitan area, 2008 (N=42)

	Central City		Suburbs		Total metro area	
	CHF p.c.	%	CHF p.c.	%	CHF p.c.	%
General administration	596.44	10.82	757.01	23.98	753.19	23.44
Public security	456.42	8.28	180.03	5.70	186.61	5.81
Education and formation	280.89	5.10	291.52	9.23	291.26	9.06
Culture and leisure	1679.74	30.47	340.47	10.78	372.36	11.59
Social welfare	751.51	13.63	267.48	8.47	279.00	8.68
Traffic	276.15	5.01	307.17	9.73	306.43	9.54
Environment	449.48	8.15	378.08	11.97	379.78	11.82
Finances and taxes	1021.31	18.53	635.60	20.13	644.78	20.07
Total expenditures	5511.93	100.00	3157.35	100.00	3213.41	100.00

Source: Authors' calculations based on data from the Service de surveillance des communes Genève



4. Geneva finance: transfers

Fiscal equalization scheme between communes

- Sharing of municipal business tax (20% goes to fund)
- Sharing of municipal income tax between municipality of residence and municipality of work (proportional according to municipality's financial capacity)



4. Geneva finance: revenues

Table 7: Communal revenues in the metropolitan area of Geneva, 2008 (N=42)

	Central City		Suburbs		Total Agglomeration	
	CHF p.c.	%	CHF p.c.	%	CHF p.c.	%
Taxes	4830.57	76.24	3218.58	83.78	3256.96	83.49
income and property	3272.80	51.65	2962.80	77.12	2970.18	76.14
Capital and gains, business taxes	1556.56	24.57	254.79	6.63	285.78	7.33
Others	1.21	0.02	0.98	0.03	0.99	0.03
Revenues on goods	912.84	14.41	306.67	7.98	321.11	8.23
Other revenues	325.42	5.14	99.87	2.60	105.24	2.70
Total own-source revenues	6068.83	95.78	3625.11	94.36	3683.30	94.42
Transfers	267.51	4.22	216.65	5.64	217.86	5.58
Horizontal	84.78	1.34	148.95	3.88	147.43	3.78
corporations under public law	146.40	2.31	12.48	0.32	15.67	0.40
without appropriation	36.18	0.57	54.09	1.41	53.66	1.38
with appropriation	0.15	0.00	1.12	0.03	1.10	0.03
Total revenues	6336.34	100.00	3841.76	100.00	3901.16	100.00

Source: Authors' calculations based on data from the Service de surveillance des communes Genève



5 Conclusion

Tiebout's paradise...

- Reasons:
 - Smallness (fragmentation)
 - Competitive federalism (tax competition)
- Governance and finance instruments:
 - Policy oriented cooperation
 - Sophisticated mechanisms of fiscal equalization to limit distortions
 - > why make it simple it can be done in a complicated way



5 Conclusion

New role of federal government

- New *politique des agglomérations* since 2001
 - facilitate coordination, support through studies
 - infrastructure funding conditional to coordination
- New conflicts in federalist arrangements
 - Urban areas vs country-side (conflict bought off)
 - Cantons vs. Federation + cities
 - Larger metro areas vs. smaller metro areas