

## THE TRANSPORT-TICKET SYSTEM IN BRAZIL FOR URBAN PUBLIC TRANSPORT

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### ABSTRACT:

The transport-ticket system in Brazil for urban public transport was implanted on 1987, in the big cities. By the system, the employers must to supply their employees with sufficient amount of tickets, to facilitate their diary translation from home to office.

Since their implantation, the system facilitates the maintenance of the urban public transport quality and permits the normal fulfilment of the urban economic activity. Meanwhile, the system means a large allowance, from the firms and employers to the urban bus companies, partially compensated by the income tax depression.

The article analyse just the effects, not properly beneficial, of this transport - ticket system functioning for the small and medium size firms.

### RESUMO:

O sistema de vale-transporte para transporte coletivo urbano no Brasil foi implantado em 1987 nos grandes centros urbanos. Pelo sistema, os empregadores devem fornecer aos seus empregados uma quantidade suficiente de vales para permitir seu traslado da residência ao trabalho.

Desde sua implantação o sistema permitiu a manutenção da qualidade do sistema de transporte coletivo público, facilitando o bom funcionamento das atividades urbanas. Entretanto, o sistema representa uma grande transferência de recursos das empresas urbanas para as companhias de transporte coletivo, compensada parcialmente pela dedução fiscal.

O artigo aborda de forma comparativa, os efeitos nem sempre benéficos, da utilização do sistema de vale-transporte para as pequenas e médias empresas.

## I - INTRODUCTION

The transport-ticket program was disposed at law in Brazil at end of 1985 but became compulsory for the companies only at the end of 1987. The program appeared to decrease the social tension at big cities caused by the poor functioning of the urban collective transport system, with crowd revolts and depredations. The program intends to facilitate the modernization and maintenance of quality of the urban transport at urban great centers.

The program orders for employers to buy and distribute to their employees, tickets for use at the urban transport system for daily movement between home-office-home. The law allows for employers the option to supply appropriate transport for their employees.

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The employers acquires the tickets at the municipality office and distributes the necessary amount for each employee use during the month. The employers can discount until 6% of the salary of each employee by the ticket supply.

The program permits for employers to depress, from annual income tax, part of the amount spent with transport for employees.

Another advantage for companies is the normal functioning of the urban transport system, without risk of crowd disturb or business damage.

However, the real experience informs that the transport-ticket program means another work duty for urban companies, to support almost the total cost of the urban transport system in big cities.

## **II - HISTORY**

At 1985, Brazil lived a delicate and historic moment of the transition of the government power, from the military members to civil people, respecting all the care and political precedences that uncommon period demanded, until the final promulgation of the Constitution of 1988.

That time, when it searched to abolish the socials and politicals structures that supported the military government, and at same time, to attach the foundation of the civil and democratic society wished, the manager ability of the government was reduced, attained by the effects of the retirement of the ancient model, and the still fragile plural society arrived.

So, the economic system deteriorated, the political structure transformed and the social tissue expressed it expectation, within the purpose to occupy the new large space in that new society model.

The urban public transport activity also suffered the impacts of that change, such about economic aspects, as around the management and social problems.

At the economic scope, the urban public transport confronted the continuous operational costs enlarge, once forced by influence of the increase of oil products on the economy, other time also reached by the inflation distortions effects on costs estimate.

About the manage aspect, the activity has close integration with the public control of the government, so, it suffered continuous operational system erode, provoked by the emptiness of public politic for the activity, and the absence of incentives for technic improvements or infrastructure investments.

These facts produced direct damage effects on the commercial speed, on the transport quantity power and operational cost of the system, inducing permanent pressure over the tariff.

The social claim of the workers, drivers and collectors, for work improvements, utilizing the political opening space, contributed for the cost increases too.

That scenery would conduct the public urban transport system for the collapse, with the payment power erode of the population, the progressive operational cost increase, the real tariff rises, promising shadows and turbulences over all the economy.

As announcement of this promise, emerged in the metropolitan centers some crowd tensions and conflicts, caused by the people uneasiness about the service transport inefficiency and tariffs increases.

So, it reigned the necessity for a subsidy system from the public urban transport using, to produce at same time, the relief of the transport costs over the worker's life cost, to address resources for the transport companies, to provide services improvements and to strengthen the government manager and initiatives over the system.

So, the transport-ticket system was born, created by the law, to attend that emerging needs, first, as a optional system, and two years later, became compulsory, consolidating the subsidy model of the economy and society, for their public urban transport system.

### **III - THE TRANSPORT-TICKET PROGRAM ECONOMICS ABSORPTION**

Since the begin of the transport-ticket program the use of that tickets is growing at brazilian big cities. The IBOPE, a brazilian public opinion institute, realized during 1995, on Rio de Janeiro metropolitan region, a investigation contracted by Transport Federation, and confirmed that 42 % of formal workers used the transport-ticket system and, at 1989, and that percentage increased to 69 %, 1995.

On the metropolitans urban centers of Brazil, as Recife, Salvador, Belo Horizonte, Rio de Janeiro, São Paulo and Porto Alegre, the formal workers are 48,4% of economic active people, and the transport-ticket program ought to serve them through their employers<sup>1</sup>.

At Salvador city, where we realized our research, during 1996<sup>2</sup>, 65% of the movement by the urban transport system was paid by tickets, 45% by the transport-ticket for workers and 20% by school-ticket, a variation for students not supported by the employers.

On financial field, we watched the bus tariff had cost U\$ 0,10 a passage at 1986, before the transport-ticket program. At August, 1997, the same passage had cost U\$ 0,65<sup>3</sup> to use the collective urban transport. This variation means a real increase on the bus tariff about 550 %, last ten years. The effect of this tariff growth was felt by all the economic system, mainly by the companies placed at the urbans centers.

Several reasons influenced that tariff growth such the vehicles modernization, the real increase for fuel, the urban expansion, the inflation, etc. But, the transport-ticket program was the fact that made possible the transference of the impact of real tariff growth to the economic system, instead of the common people, which richness did not permit to support that transport expense.

Fast, we show the diference of the real tariff growth on the people life cost.

The legal minimum salary in Brazil was U\$ 54,00 at December, 1986, and U\$ 113,20, at August, 1997.

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<sup>1</sup> See Anuário Estatístico, 1996, IBGE

<sup>2</sup> See Anuário Estatístico, 1996, STP, Salvador Municipality

<sup>3</sup> See Anuário Estatístico, 1996, STP, Salvador Municipality

The common urban worker needs generally 88 passages monthly (4 a work day) to move from home to office and return.

So, the cost of these passages was U\$ 8,80 a month, at December, 1986, that means 16,5% of the minimum salary that period.

At August, 1997, the cost of the same amount of passages, with the unit price of U\$ 0,65, reaches U\$ 57,20 a month, that means 50,5% of minimum salary that period, impossible to support for common worker.

On economic view, we watched at Salvador city, during 1996, 235.058.304<sup>4</sup> people were transported by the urban collective system. Forgetting the population growth and using the bus tariff cost difference of U\$0,55 between 1986 and 1996, we conclude just the urban transport of Salvador city absorbed around U\$ 129.000.000,00 more from the economic system at 1996 then at 1986, when the transport-ticket program was not created.

The amounts here presented does not intend to be perfectly exact. We intend only to show numerically the impact of the transport-ticket duty for urban companies.

#### **IV - THE TRANSPORT-TICKET PROGRAM AND FIRMS PRACTICE**

The law n° 7418/85 created the transport-ticket program and ordered any employer, firm or individual person, to supply their employees with transport from home to office. The employer may supply this duty, transporting their employees with own vehicle.

The employer can discount of the employee's salary until 6% for the transport supply and may relieve his expenses accounting the transport cost as operational expenditure.

Besides, the employer may also to reduce from the annual income tax debt, part of the transport expense within the income law limits.

The compulsory transport supply ordered by law is considered as work duty and the government must to control and inspect the supply by the employers. The Federal Work Ministry must to manage the control with the Work Inspect Federal System Corps.

The big companies are structured to operate attending the full legality, and, despite the cost increase produced by the transport subsidy, for that companies, the only problem is to include that new cost over theirs sale's prices.

So, for the big companies, the transport subsidy completes the cycle in the economic activity, when they return the cost increase to the global economy through the sale's price, after the initial expenditure to supply the tickets for the workers.

Meanwhile, for the small employer, the system means especially a add task dispersing wealth and efforts, first, by the immediate expenditure to buy the tickets, then, to arrange the purchase, to control the worker's adresses, requiring one more calculation over the salary budget, to control the receipts and the additional expenditure accountancy.

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<sup>4</sup> See Anuário Estatístico, 1996, STP, Salvador Municipality

Those tasks seem common for a regular company with a officer charged with the salaries payment and control but, added with another various tasks and accounts operations, ordered by brazilian security and work laws, became a unwelcome surcharge.

The medium and small size firms are normally conducted by the owner himself, and his main task is to get business and funds for the company survival. This task must to busy himself all his time and any time more. So, the owner does not execute the bureaucratic tasks conveniently, and many times, untrusts a parent or a cheap salary officer to execute that. This procedure causes uncorrected and diverted actions to the firms.

We still recall the common operation activity segments for medium and small size firms, always under hard competition, and with the cost reduction as only option to get profits.

This atmosphere estimulates the firms to disobey the law, assuming the risk of fines to increase earnings. If the inspection does not find the breach, the action get success, and the crook get advantage over his honest rival.

## **V - THE LEGAL ALLOWANCES**

The ticket-transport system, in the beginning, included a additional support for the employers adaptation with the new cost, through tributary allowances on the income tax.

These allowances completed the integration cycle of the transport system on the economy, implanted by the transport cost supplied for the employees and the return to consumer through the sale's prices.

There were two kinds of allowances authorized by the ticket-transport law:

First, the employer could account the transport for employees expenses as a operational cost, reducing the profit amount for income tax.

Second, the employer could deduct a part of transport expenses from the due annual income tax until the 10% limit fixed at the income tax law.

The analysis of the sort of allowances authorized by law points two needs for enjoyment: a precise account register control and the annual complete lawful demonstrative for business operation.

The complete account register, for annual demonstrative at brazilian commerce and tributary laws, demands permanent professional accompaniment, and is submitted by diversified inspection.

This detailed control seldom is used by micro or small size companies, generally favoured by legals permissions for account registers simplified. Normally, the firms contract a free professional accountant to execute the administratives legals controls, but not for transport-ticket tasks.

So, if the little firms do not maintain the complete and detailed account register, it is not possible to enjoy the law allowances.

The income tax law orders the complete account register and demonstratives only for companies with annual sales above U\$ 10.000.000,00. Below this limit, the law authorizes a “presumed profit system”, which the tax debtor is calculated directly over the gross sales, without incomes and expenses confirmation.

That simplified system unable the enjoyment of the law allowances because the expenses accounted are not presented, and without the detailed account register complete demonstrative, is not possible to use the due tax deduction.

Besides that practice adversity, another new law for micro and small companies, born at 1997, the SIMPLES law system for tax and duties payment, with several advantages and made good use for those firms, forbid any tax allowance enjoyment.

Meanwhile, since october 1997, all the allowances, before authorized by transport subsidy law, were abolished within the austerity economic plan just implanted in Brazil, leaving the companies only with the inclusion of the cost in theirs sale’s prices, as option to compensate the transport subsidy.

## **VI - CONCLUSION**

The transport-ticket system, as subsidy model for urban public transport in Brazil, meant a representative transfer of wealth, from the enterprises at all, to support the urban transport operation, and enable real tariff increases, unsustainable for the people.

The capacity of the employers to return the subsidy cost for the economy depends, mainly, of the operation activity segment and the market competition there running.

This structure becomes the small and medium size firms more fragile, because that kind of companies has available less wealth and manager organization, to return, in fact, the cost absorption to the economy by sale’s price, besides to confront more sharpened competition.

Meanwhile, the law did not include any different support for big or small companies, to compensate the greater effort of the last.

On the contrary, by the original law, and until 1997, the big companies, with their organized accountance, could use the allowances authorized, to relief part of the cost absorbed, while the small firms, in fact, could not profit the allowances, without organized and laborious bureaucratic controls.

Besides, the big companies could supply their own transport to avoid the transport-ticket payment, but this alternative, is almost impossible for small companies too, because of the necessary service to arrange.

The review of the transport subsidy is appropriate, when the government perceives the small and medium companies as the main employment suppliers, and the stimulus for them, the main alternative to compensate the work places extinguished by the modernization.

The subject is important now too, when the brazilian government struggles to facilitate the business and economic development, through the private initiative, including medium and small size companies, instead of the development motivated by the State.

One means to try this way is to favour the direct work negotiation between employees and employers, where the transport costs would be discussed as flexible subject for concessions and reliefs, above all, for the small size employers.

Another alternative to relieve the transport-ticket support, for medium and small firms, is to allow the deduction from due tax costs for consumption and services.

Besides, the original law could be altered, to include some special relief for small employers, to compensate the more sharpened competition confronted and incentive the development for new small firms.

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