



EUROCHAMBRES

Connecting **business** to Europe

Position Paper

October 2008



ON THE REVIEW OF THE **EUROVIGNETTE** DIRECTIVE 1999/62/EC ON THE CHARGING OF HEAVY GOODS VEHICLES

EUROCHAMBRES' main requests to policy makers

- *Ensure a level playing field for all transport modes and infrastructure users.*
 - *Tackle external effects from road transport with the most cost-efficient policy measures, minimizing the burden on society as a whole: especially for costs related to accidents, climate change and congestion, external cost charges for heavy goods vehicles (HGV) will only cause price increases without achieving the desired results.*
 - *Ensure that revenue generated from charging for external costs in road transport must be reinvested in avoiding or mitigating external effects from road transport.*
-

Table of contents

EUROCHAMBRES' MAIN REQUESTS TO POLICY MAKERS	2
1) INTRODUCTION	3
2) GENERAL COMMENTS ON THE PROPOSAL	3
3) COMMENTS RELATED TO SPECIFIC ARTICLES	5
ARTICLE 2 – TYPES OF EXTERNAL COSTS TO BE INTERNALISED.....	5
ARTICLE 7A – USER CHARGES	6
ARTICLE 7C (1) – DIFFERENTIATION OF EXTERNAL COST CHARGES	6
ARTICLE 7C (2) – CALCULATION OF EXTERNAL COST CHARGES.....	6
ARTICLE 7C (3) – AUTHORITY SETTING EXTERNAL COST CHARGES	6
ARTICLE 7F – INFRASTRUCTURE CHARGES.....	6
ARTICLE 9 (2) – USE OF REVENUE/EARMARKING	7
ARTICLE 9 (B) – ADAPTATION OF THE ANNEXES	7
ANNEX III A.....	7

1) Introduction

EUROCHAMBRES and the business community attach great importance to sustainable mobility, i.e. to making both passenger and goods transport more efficient and to decoupling them from their negative impacts.

Considerable achievements have already been made¹, but it is clear that Europe must strive for further improvement, given the expected continuing increase in demand for passenger and freight transport.

Transport services play a central role in modern society and economy. They account for 4.3% of EU25 value added and employ about 8.2 million people in the EU25. Most other sectors either use transport operators or carry out transport operations themselves, thus, directly or indirectly, the community's economy as a whole is affected by policy measures applied to transportation.

The choice of policy measures must therefore strike the right balance between the three sides of the sustainability triangle – environmental, social and economic. The positive external effects provided by transport (such as efficiency gains by division of labour, connection of remote regions to economic centres, availability of goods and services all over the EU territory) should not be neglected in this.

It is an absolute necessity that the international dimension is taken into account, as additional cost imposed on European businesses from internalisation measures which is not compensated through cost reductions in other fields will reduce EU competitiveness vis-à-vis other countries where such measures are not in place.

2) General comments on the proposal²

EUROCHAMBRES as an association representing businesses of all sectors and sizes has no preference for a specific transport mode. In the EU, about 73% of freight transport is carried out by road, 17% by rail, 5% by inland waterways and 5% by pipelines.³ It is important that each mode plays its part in catering for the increasing transport demand and in making transport more sustainable. For us, it is therefore crucial that policy aimed at reducing the environmental impact of transport does **not result in a distortion of competition between the different modes**. If the political decision is taken to internalise external costs from transport, then all sectors should be examined, and the most appropriate solution to reducing negative external effects for each transport mode must be found in a co-ordinated approach, aiming at the most efficient solutions – also from a cost perspective – and taking into account the different measures already in place.

We have serious doubts whether increased toll rates for heavy goods vehicles are the appropriate instrument to tackle the external costs of transport, because:

- **Incentives for efficient use of vehicles exist already:** The transport sector is very much affected by the increasing fuel prices. They provide already a very strong incentive to use vehicles as efficiently as possible, avoid unnecessary transport and consider other transport modes.
- **Beneficial effects for the environment are not guaranteed:** As is correctly stated in the Commission's "Strategy for the internalisation of external costs"⁴ road transport demand is not especially price sensitive, often due to the lack of alternative solutions (e.g. lack of adequate capacity on other transport

¹ E.g., according to the 2007/08 Eurostat Statistical Pocketbook Emissions of tropospheric ozone precursors from transport in the EU25 have decreased by 46% between 1990 and 2004, and emissions of particulate matter by 32%. Energy intensity of the transport sector has also slightly decreased.

² COM(2008)436 final/2

³ Eurostat, EU energy and transport in figures, 2007/2008, data from 2006

⁴ [COM\(2008\)435, P.3](#)

modes, lack of capacity⁵ or missing infrastructure for co-modality, inaccessibility of some destinations by other transport modes). In order for a business to be able to make the switch to other transport modes or increase co-modality in its supply chain, efficient and effective alternatives must be available. Where this is not the case, increased charges cannot produce the desired effect of a reduction of environmental impacts. On the contrary, affected companies may, due to this additional drain on their resources, have to postpone investments into more modern vehicles or facilities enabling co-modality.

- **Simultaneous application of multiple policy instruments:** Given the fact that other environmental policy measures (e.g. fuel taxes) are already in place in different areas, the introduction of external cost charges may lead to transport operators paying twice for the same external costs⁶. Avoiding this is crucial.
- **Absolutely objective quantification of external costs is almost impossible:** External costs cannot be quantified exactly, and despite efforts by the Commission to propose a science-based calculation model, the results based on studies or models with slightly different assumptions or base data will always be open to dispute.⁷ This leaves leeway for an increase of charges influenced more by financing considerations than exact cost calculations at the occasion of the announced future evaluation of the external cost.
- **The additional increase in transport cost harms the competitiveness of the economy:** businesses all over Europe are dependent on punctual and cost-efficient transport of their supplies, as well as their products. A general increase in the level of transport costs within the EU reduces their competitiveness vis-à-vis competitors outside the EU, who are not subject to such fees. Also, some of the additional cost will necessarily have to be passed on to the final consumer, which may have an inflationary effect.
- **Alternative measures available and potentially more appropriate:** Various policy measures are available or already in place⁸, such as air quality legislation, emission and safety standards for vehicles, promotion of related research, construction of noise barriers, fuel taxes, subsidies for public transport and campaigns for safe and fuel-efficient driving, to name but a few. The ability of alternative measures to provide more effective, less costly and less bureaucratic solutions for mitigating external costs from transport should be more thoroughly analysed. Thus, the “cheapest cost avoider” principle should be applied instead of a pure “polluter pays” principle, to avoid imposing unnecessarily high overall cost to society.

We believe that the following can in particular form part of an appropriate alternative policy mix:

- Promote research and development of cleaner fuel and vehicle technologies and continue to adjust the EURO emission norms in line with technical developments;
- Promote market uptake of the cleanest vehicles by fiscal incentives, revenue-neutral environmental differentiation of existing registration taxes and similar measures;
- Promote investment in structural improvement of infrastructure for all transport modes with regard to quality (including facilities to improve working conditions in the transport sector and mitigate noise) and quantity, and ensure more efficient infrastructure use by improved ICT solutions such as real time traffic information systems.
- Continue awareness raising and training campaigns for safer and more fuel efficient driving among professional, as well as private drivers.

⁵ Cf. the UIRR Report 2007, which mentions increasing saturation of many terminals, slowing down the possibilities for acquisition of more Combined Road-Rail transport, to name but one example.

⁶ For example, Piecyk and McKinnon (2007) note that “In 2006 the average truck in the UK paid 12% more in duties and taxes than its allocated infrastructural and environmental cost (excluding congestion cost)”.

[http://www.greenlogistics.org/SiteResources/1fbb59ff-3e5a-4011-a41e-18deb8c07fcd_Internalisation%20report%20\(final\).pdf](http://www.greenlogistics.org/SiteResources/1fbb59ff-3e5a-4011-a41e-18deb8c07fcd_Internalisation%20report%20(final).pdf)

⁷ For example, the calculated noise costs are based only on noise data from Germany, but should be applied by all EU-members, which consider a charge for noise costs. It is highly questionable, that noise costs all over Europe are similar to those in German, as they depend very much on local conditions and the landscape.

⁸ Cf. the Inventory published by the Commission together with the Greening Transport Package [SEC(2008)2206]

This is why we believe that **starting internalisation now with legislation introducing charges based on external costs for only one part of transport operations** (i.e. road freight transport, which is only responsible for a quarter of negative external effects of road transport) **is politically and economically the wrong way to tackle the negative external effects of the transport sector.**

3) Comments related to specific articles

Notwithstanding our general strong reservations about introducing external cost charging at this point in time and for road freight transport only, this section elaborates on some elements of the directive that would absolutely need to be changed/maintained were policy makers to decide to go ahead with this proposal. Articles refer to the amended directive and not to the proposed amending directive.

Article 2 – Types of external costs to be internalised

We welcome that it is not proposed to include the cost of accidents and climate change, for the following reasons.

- **Accidents**

An obvious incentive to avoid accidents already exists, as each participant in road transport strives to protect first and foremost their own health and that of other persons, and secondly the vehicle and freight. In addition to this, vehicle insurances already internalise a part of the damage cost, in a way that discourages risky behaviour. Other measures, such as the enforcement of speed limits by radar, investment in safety infrastructure or awareness raising/driver training campaigns may produce better (and preventive!) results, instead of trying to cover cost for accidents that have already happened by imposing a uniform cost increase also on all operators that already take all measures to ensure their HGVs pose the least possible risk.

- **Climate Change**

As stated in the communication, the climate impact of fuel consumption is global, and does not depend on the time and place of the fuel usage. This is why other policy instruments that relate more directly to fuel consumption or the efficiency of a vehicle are better suited to internalise these external costs than a distance or time based levy, which would not provide an incentive for more fuel-efficient driving.

- **Congestion (Art. 2 bb and be)**

The **congestion element should be removed** for the following reasons:

The costs of congestion are already internalised via the time and money lost by vehicles stuck in congestion. While “queuing” is certainly not the most desirable way of dealing with scarce capacity, increasing the cost additionally will not lead to improvements unless attractive alternatives are available.

It also has to be pointed out that a considerable part of traffic jams are caused by construction work and accidents⁹ and that congestion often appears in periods of high traffic volume of private cars (e.g. morning and evening peak periods in urban areas, holiday periods). Charging a levy on HGVs will not contribute to alleviating these problems.

In the absence of appropriate alternatives, increasing costs for using a bottleneck road may even be counterproductive if it becomes cheaper to take a longer route around the bottleneck. In that case, the effect (time spent) remains almost the same - albeit less visibly - while the environmental impact becomes higher.

The existing directive already allows a variation of toll rates according to congestion levels, however, under a condition of revenue neutrality. Adding an external cost element for congestion may actually make it attractive for infrastructure monopolies to maintain certain bottlenecks, as they would be a convenient source of revenue.

⁹ E.g. in the German Land Baden-Württemberg, according to data from the Land’s Road construction administration, 58% of traffic jams on highways and 68% of cost of time spent in traffic jams are due to construction sites and accidents. (http://www.ise.uni-karlsruhe.de/download/Vortrag_Leiss.pdf) Another German study cites 55% of mobility impediments due to these two sources. (<http://www.upress.uni-kassel.de/online/frei/978-3-89958-303-8.volltext.frei.pdf>)

EUROCHAMBRES strongly advocates removing the congestion element from the calculations. Should policy makers decide to maintain it, they should at least introduce a condition requiring Member States to prove that feasible alternatives are available before applying a congestion-motivated external cost charge on any part of the road network.

Article 7a – User charges

- (1) We do not agree with the possibility for a Member State to only apply annual rates for vehicles registered in that Member State. This can result in discrimination between HGVs registered in that Member State (who only have the option of the full annual fee, even in such cases where they use the infrastructure concerned only for several months) and HGVs registered in other Member States who are able to obtain a weekly or monthly rate, depending on the duration of the use.
- (2) We strongly support the concept of having a maximum rate (“cap”) defined in the regulation so that the risk of Member States using this mechanism as a convenient source of money, based on overstated cost calculations, is mitigated.

Article 7c (1) – Differentiation of external cost charges

A variation of the external cost charge according to the type of road, EURO emission class, and time, in principle contributes to allocating the cost in a more appropriate way. On the other hand, the resulting tariff systems will be extremely complex. This means that the calculation of transport cost in advance including route planning will become more difficult for businesses and necessitate very sophisticated and frequently updated software. In this respect, smaller companies will be at a competitive disadvantage vis-à-vis larger businesses.

As this article refers again to the congestion element, we re-emphasise our arguments against including this element into the external cost charges. We believe that this charge will not be effective for smoothing out peak traffic, as there is not much scope for taking these price differentials into account for route planning, when there is a need to deliver in time for certain production processes or to ensure the connection to other transport modes. However, should the congestion element remain in the scope of the directive, this differentiation at least offers the prospect that the mark-up would only be applied for really congested periods and not indiscriminately.

Article 7c (2) – Calculation of external cost charges

As stated above, we consider it necessary to propose common criteria and maximum levels for the calculation of external cost, so that systems potentially used by Member States are based on existing classifications such as the EURO emission standards. This should at least help to reduce complexity by avoiding a plethora of criteria in different Member States, and reduce distortion of competition.

The calculation method should be improved by stipulating that the part of external costs that are already internalised by other policy measures (e.g. fuel taxes) should be deducted.

Article 7c (3) – Authority setting external cost charges

The directive should include an obligation for the authority to consult a representative of the transport users when setting the amount of the external cost charge.

Article 7f – Infrastructure charges

A practicable and unbureaucratic way has to be found for drivers to present the “necessary papers” to ascertain the EURO emission class of a vehicle in the case of a check, as stipulated in paragraph 2, to avoid that it becomes an automatism to apply the highest toll rate in such cases.

We explicitly welcome the regulation in paragraph 4, which stipulates that the infrastructure charge may be varied according to emissions class, congestion, and similar factors, but that this must not lead to an increase in toll revenue overall, and that in case an unintentional increase in revenue occurs, this must be counterbalanced by changes to the toll structure for the following years. However, we remain to be convinced that this rule will be applied correctly in practice.

Article 5 correctly regulates that in case an external cost charge is being applied, the infrastructure part of the toll shall not additionally be varied.

Article 9 (2) – Use of revenue/earmarking

A condition sine qua non for the application of charges based on external costs in road transport – especially as long as road freight is the only sector to which such charges are applied – is that they must not flow into the Member State's general budget, but must be used for measures to mitigate external effects emanating from road transport. For example: investments in infrastructure capacity, as well as quality (such as acoustic barriers, silent paving, or better parking facilities along highways which are necessary to comply with social standards), support for market uptake of cleaner HGVs, or the development of intelligent road transport systems.

The directive should stipulate that revenues from infrastructure charges must (instead of “should”) be used to benefit the transport mode that is being charged. It is important that revenues are invested in transport in addition to existing funds and do not simply replace them.

As long as road freight is the only sector to which such charges are applied, the revenues should be redirected primarily to improve the road infrastructure and tackle external costs emanating from this transport mode.

Furthermore, representatives of the transport mode charged and its users at national – and where appropriate at regional – level should be involved in the decision making process.

Article 9 (b) – Adaptation of the annexes

As environmental measures for transport policy start to have effects, and as technology progresses, negative external effects should actually decrease. Therefore it is appropriate to impose a periodical adjustment of factors based on new data, both for the factors applied in the Member States and for the directive itself. However, we question the proposed empowerment of the Commission to adapt the annexes in light of scientific and technical progress and inflation, and advocate that changes to Annex IIIa in particular should be subject to the co-decision procedure, as with further reviews of the directive.

Annex III a

As stated in comments on previous articles, it is important that the congestion element be removed from the calculations and that the annex stipulates maximum levels of external cost charges.

EUROCHAMBRES is the sole European body that serves the interests of every sector and every size of European business and the only one so close to business. EUROCHAMBRES has member organisations in 45 countries representing a network of 1,700 regional and local Chambers with over 19.8 million member companies. Chamber members employ over 120 million employees.

**Further information: Ms. Sonja Starnberger, Tel. +32 2 282 08 77, starnberger@eurochambres.eu
Press contact: Ms. Guendalina Cominotti, Tel. +32 2 282 08 66, cominotti@eurochambres.eu
All our position papers can be downloaded from www.eurochambres.eu/content/default.asp?PageID=145**