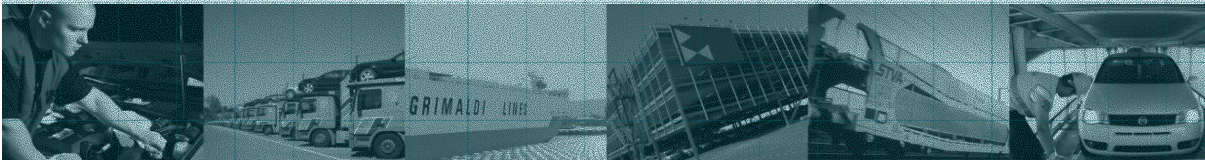


Analysis



November 2008

**Proposal from the European
Commission for revision of current
Directive on charging heavy goods
vehicles – ECG analysis**



**The Association of European Vehicle Logistics
Diamant Building, Bd. Auguste Reyers 80
B-1030 Brussels**

Tel.: +32 2 706 82 80
Fax: + 32 2 706 82 81

E-mail: info@eurocartrans.org
www.eurocartrans.org

Currently, national measures on heavy goods vehicles (HGV) charging have to be in line with **directive 1999/62/EC**, amended by **directive 2006/38/EC** that had to be transposed into national laws till the 10th of June 2008.

On 11 of July 2008 European Commission (EC) published a new package of measures entitled ‘Greening Transport’. The package consists of measures which aim at making transport more sustainable. One of the key proposals is the revision of the ‘Eurovignette’ Directive. European Commission considers that the current road toll prices do not truly reflect the cost of the actual use of vehicles in terms of pollution, congestion and climate change and therefore the directive needs to be revised to take these external costs into account.

1. Situation today – what does the current Directive say:

Scope:

Current Eurovignette Directive, as amended in 2006, allows Member States to introduce **road tolls (distance-based charges) or user charges (time based charges)** on the **trans-European road network (TEN)** only under the set of harmonized conditions of art.7 par 2-12, the most important of which is that the tolls and user charges shall be applied to all vehicles above **3.5 tons (of maximum permissible laden weight) from 2012**. This shall be without prejudice to the right of Member States to apply road toll or user charges on roads not part of the TEN (inter alia on parallel roads to which traffic can be diverted from the TEN or which are in direct competition with certain parts of the network) or to other types of motor vehicles, or even to apply *regulatory* charges to combat air pollution and congestion on any road, notably urban roads. Member States may also choose to continue existing schemes or introduce new ones for vehicles over 12 tonnes, but only until 2012.

Price composition:

According to the directive road tolls and user charges should be based on the principle of the recovery of infrastructure costs only (construction, maintenance and operation). However Member States may internally differentiate the toll rates, without prejudice to average toll and without generating additional revenue, by varying toll rates according to Euro emission classes or congestion periods (time of the day, type of day or season). In designing these differentiated systems certain limits should be respected (for example, the % difference in toll level between the dirtiest and the cleanest vehicles may not overcome 100%). Option used by Germany and the Czech Republic. Only in exceptional cases concerning infrastructures in mountainous regions, a mark up may be added to infrastructure costs, at the condition that road sections are subject to acute congestion, that traffic generates significant environmental damage and that the revenue generated from the mark up is invested in priority projects of European interest located in the same corridor which directly contribute to the alleviation of congestion or environmental damage in question. Those mark-ups cannot be higher than 25 % (example - Brenner motorway in Austria, where the mark-up is used to co-finance the Brenner rail base tunnel, part of TEN priority axis from Berlin to Palermo).

The current Directive also sets a maximum annual rate for user charges (which for example for Euro IV and less polluting vehicle with min 4 axles amounts to **1329 euros**).

ECG made an overview of the different road tolls and user charges used across Europe. The report can be found on the website:

<http://www.eurocartrans.org/ecg/documents/Road%20Toll%20Report%20July%202008.doc.pdf>

2. How does the EC propose to revise the Directive?

Scope:

The proposal overcome the existing limits for member States to apply external costs charges, by introducing an harmonized set of rules enabling Member States to levy distance based schemes (**tolls**) through *either* a charge to recover the infrastructure, construction, maintenance and operation of infrastructure (so called **infrastructure charge**), *or* a charge based on the cost of traffic-based air and noise pollution and congestion (so called **external costs charge**), *or* both. This represents a common framework for enabling an integrated implementation of the *user pays* and of the *polluter pays* principle by Member States.

Despite the perceived urgency of EC to act on the negative impact of pollution the proposal is **voluntary** and leaves it up to the member states to decide whether to levy or not the tolling component based on external costs (external costs charge). In 2013 EC will revise the strategy and consider whether there is a need for a binding approach and whether the CO2 emissions and other external costs should be included in the external cost charge.

As to infrastructure types, the proposal extends the scope of the Directive beyond the Trans-European Transport network in order to harmonize pricing schemes in interurban and suburban roads. It does not prevent Member States from applying on urban roads a different kind of charges, called **regulatory charges**, specifically designed to reduce traffic congestion or combat environmental impacts in built up areas. Nothing changes as to types of vehicles subject to the Directive: tolls and user charges shall be applied to all vehicles above **3.5 tons of maximum permissible laden weight from 1/1/2012, while tolls and user charges limited to vehicles over 12 tons are allowed only until that date.**

The directive obliges Member States from 1 January 2014 to collect the external cost charge through **electronic systems** which does not create hindrance to the free flow of traffic. A transition period for the current systems with barriers is planned until 31 December 2013. A document indicating the amount of the charge will also have to be delivered to the haulier.

Price composition:

While the proposed directive doesn't change much of the infrastructure charges regulations under the existing Directive, it enables Member States to **integrate in new or existing tolls a new cost component (additionally to the infrastructure cost component), based on external costs**. The external costs charge shall be related to the cost of traffic based air pollution, the cost of traffic based noise pollution and, only on road sections subject to congestion, it may also include the cost of congestion during the periods when these road sections are usually congested. At this point in time EC decided to **exclude the cost of CO2 emissions** from being integrated into the price of tolls. It proposes instead to increase the minimum excise duty on commercial diesel fuel across Europe, since CO2 emissions are directly proportional to diesel consumption.

The amount of the external costs charge shall be set by an administrative entity or a national Authority. **A common methodology to calculate external cost charges by the Authorities has been proposed**, in order to make sure the each Member States will use the same basis for external costs calculation. The common methodology is based on assessment requirements, on charge differentiation criteria within each road context and on a formulae for each external costs. Each formulae is subject to a maximum cap in order to guarantee harmonization in the UE internal market (the minimum value between the formulae based and the reference values provided in Annex IIIA should be considered by the Authority).

In mountain areas only the maximum allowed chargeable costs (caps) may be increased by a multiplication factor:

- By a factor of up to 2 for air pollution
- By a factor of up to 5 for noise

The maximum chargeable external costs in ordinary areas (non mountainous) are shown hereafter for each cost category (values in eurocents per vehicle/km. Source: EC's proposal Annex IIIa):

Air pollution:

Table 1: Air pollution cost of vehicle (PCV)

Euro cent/vehicle.kilometre	Suburban roads	Other interurban roads
EURO 0	16	13
EURO I	11	8
EURO II	9	8
EURO III	7	6
EURO IV	4	4
EURO V and less polluting	3	2

Noise pollution:

Table 2: Chargeable noise cost of vehicles (NCV)

Euro cent/vehicle.kilometre	Day	Night
Suburban roads	1.1	2
Other interurban roads	0.13	0.23

Values in euro cents, 2000

Congestion:

Table 3: Chargeable congestion cost of vehicles (CCV)

Euro cent/vehicle.kilometre	Time period A	Time period B	Time period C
Suburban roads	0	20	65
Other interurban roads	0	2	7

Values in euro cents, 2000

Time period A is an off peak period with stable flow of traffic

Time period B is a peak period or close to peak period with unstable flow of traffic

Time period C is an extreme peak period with forced or breakdown flow of traffic

Use of Revenues:

New proposal obliges Member States to earmark the revenues from external cost charge for measures facilitating efficient pricing, reducing road transport pollution at source, mitigating its effects, improving CO₂ and energy performance of vehicles, and developing alternative infrastructure capacity for users.

The Directive should be brought into force by 31 December 2010 at the latest: changes in the road toll prices are **thus expected from 2011**, depending on how quickly the proposal can pass through the decision making process: Council and the European Parliament.

Cost impact and relevance to the finished vehicle logistics sector

Goods vehicles road charging constitutes an obvious and **direct cost for the industry**.

The current road tolls rates in many countries are already high (in Germany on average 13 cents per km) and increase regularly (on average 18 cents from 1 January 2009). The revision of the Directive, with the aim of allowing Member States wishing to include the external costs in the price of road tolls to do it under a common framework, **will lead to a further increase of road tolls paid by goods vehicles** and is therefore detrimental to road transport companies. Apart from the increase in price of the road toll per km, the scope of the roads on which the road toll can be imposed will be extended, increasing the cost of road transport companies even further. Since external cost charges will be differentiated as a function of Euro emission standard (lower for new vehicles), road types (higher for suburban roads as compared to interurban roads) and period of road use (no congestion and noise extra-cost during off peak day time, low noise extra costs during night-time, high extra-costs during peak periods, very high extra costs in peak periods on suburban roads), real cost impact will depend from the operators road use patterns and from the concrete availability of choice alternatives in time and networks, including intermodality options. **An important amendment to introduce in the Directive revision proposal is to limit external costs charges only to roads that provide such alternative options, in order to prevent a purely taxation effect without any environmental or congestion reduction effect.**

Examples of external cost charge levels:

Taking into account the maximum allowed chargeable external costs per vehicle/km provided by Annex IIIa (see above), it can be concluded that for the Euro IV truck travelling on interurban roads during the day and in the peak period the charge shall be lower than 6.13 eurocents per km (11.13 cents in extreme peak periods), a level that could be reduced to 4.13 cent (day) - 4.23 (night) if it travels during off peak periods. The latter cap slightly increases if the same Euro IV truck travels on a suburban tolled road in the off peak period (5.1-6.0 cents), but it quickly increases during traffic peak periods (25.1-26.0 cent) or extreme peak period (70.1-71.0 cent). Charges may further increase by a maximum of 12 cents if Euro 0 vehicles are used.

In fact, taking the example of Germany, an Euro IV truck with 4 or more axles pays an average toll of 13 cents per km (from 1 January 2009 this will increase to 18 cents) and an excise duty of 48 cent/liter (about 22 cent/km); with the inclusion of external cost charges the road toll would increase by 23% compared to the new price, in the best case (increase by 4.13 eurocents in interurban roads) or by four times in the worst case (increase of 70 cents in congested suburban roads)

Use of external cost charge revenues

The proposed use of revenues includes the financing of “*alternative infrastructure capacity for users*”.

This means that money raised from road users could potentially be used for development of different mode infrastructures or money raised from road congestion could potentially be used for construction of alternative road infrastructures.