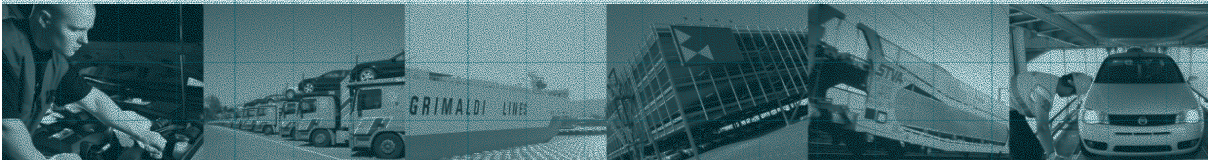




## **ECG's reaction to the European Commission's Greening Transport Package**

**(proposal to revise 'Eurovignette Directive'  
and Strategy for Internalisation of external  
costs of transport)**



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### Introduction

With this paper ECG would like to react to the revision of the 'Eurovignette Directive' and the Strategy on the Internalisation of external costs included in the 'Greening Package' published by the European Commission (EC) as part of its strategy to make transport more sustainable.

ECG has participated in the Public Consultation carried out by the EC between October and December 2007 and to the 31 January 2008 stakeholders' seminar. On 3<sup>rd</sup> March it sent to the EC its Position paper on Internalisation of external costs of transport and therefore this reaction paper is a follow up to the ideas already expressed.

From the outset, ECG would like to underline its commitment towards the reduction of negative effects of transport on the environment and society and the importance of sustainability, however would like to object to the way European Commission intends to achieve its goals of sustainable transport.

1. ECG **objects to the strategy of EC to introduce external costs charges in the EU**. This strategy will only lead towards a significant road transport price increase, with considerable **disadvantages for the economy and society, and doubtful positive effects on the environment**. ECG suggests **better approaches** for reducing CO2 emissions and external costs, **other than pricing**.
2. Should the external costs charges be introduced nonetheless, ECG insists they **satisfy certain conditions**. Also, a wide range of **innovative solutions** with which the vehicle logistics sector contributed so far to reduce the negative impacts of transport need to be **taken into account**.
3. The objectives of Eurovignette can also be achieved by other measures. One of the measures specific to the sector of finished vehicle logistics is the harmonization of loaded car transporters lengths to 20.75 meters. This would allow the average number of cars transported by each truck on intra-European routes to be **increased from 7 to 9 (+29%)**, the **reduction of the number of cars transporting trucks** on EU road of up to **22%**, the **cut of external costs per car transported per km** by **21.7%**, the **reduction of CO2 emissions** per car per km by **19.4%**.
4. ECG emphasizes that **revenues should be earmarked to tackle the negative effects of the charged vehicles when they use the road infrastructure**. If earmarked for infrastructure development, road charging revenues should alternatively be used to enlarge road capacity (congestion reduction), to improve its equipment (for example noise abatement measures) and to promote the infrastructures needed by combined transport.

These points are discussed in more details below.

### 1. EC strategy to internalize external costs and expected impact

ECG questions the EC's approach to achieve sustainable transport through external cost charges and increase of minimum excise duties on diesel fuel to tackle CO<sub>2</sub> emissions. Current tax and charges on goods vehicles are draining transport companies' revenues, thus reducing companies' resources for R&D and vehicles park renewal allowing for a better environmental performance.

An introduction of external cost charges is not an efficient measure to tackle air pollution, noise and road congestion, **ECG would suggest an approach that is based on a company level commitment to improve environmental performances that excludes charging.** ECG is very conscious of the effect the activities of its members have on the environment and already took its **own initiative to reduce the negative impact the transport of new vehicles** may have on the environment. It has just recently completed a study on **“The External Costs of Transport of New cars: Uniform values for Europe”**, whose aim is to provide logistics operators with the set of reference CO<sub>2</sub> emissions and external cost values to be used within their company management systems in order to develop environmental reports and environmental action plans and ultimately to reduce the traffic related external costs. The study was carried out by a third party environmental association, the Friends of the Earth (Italy), and ECG would be pleased to have the chance to present the results to the European Commission. ECG considers this approach aimed at cutting emission of CO<sub>2</sub> and other pollutants a more constructive one, since **it does not penalize the companies but provides them with tools to act on the reduction of external costs.**

### 2. Charging criteria and innovative solutions

**If external cost charges were to be introduced nonetheless,** in order to prevent economic impacts of external cost charges further conditions should be satisfied:

1. **external charges should be accompanied by a parallel reduction and harmonization of excise duties, in order to avoid an increase of overall tax and charges.** Given the current economic environment in Europe, such a development would result in more companies being driven out of business. In fact, taking the example of Germany, an Euro IV truck with 4 or more axles from 1 January 2009 pays an average toll of 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% 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).
2. **double charging should be avoided:** taxes and charges already paid have to be taken into account. For example road charges increased to incorporate the cost of noise pollution, should be accompanied by the decrease in fuel tax from which the current infrastructure such as noise barriers is financed.
3. **revenues of external cost charges should be used in a large part – at least 65% - for reducing the external cost for which the charge has been paid** and to allow operators to increase environmental performances at source **by providing financial incentives for innovation and fleet renewal.**
4. **external costs charges should be charged only on roads that provide alternative options** to users (concrete availability of choice alternatives in time and networks, including intermodality options), otherwise the approach risks creating strong economic and societal effects, but no behavioural change.

Also a wide range of innovative solutions, with which the vehicle logistics sector contributed so far to reduce the negative impacts of transport, need to be taken into account. For example since the

mid 90's the exhaust emissions from commercial vehicles have fallen by 40%, although the number of km driven has increased.

### 3. Other more efficient measures – harmonization of loaded lengths of finished vehicle transporters

The objectives of Eurovignette can also be achieved by other measures. One of the measures is the adoption of **legislation allowing for the optimum use of vehicle weights and dimensions.**

Current Directive 96/53 does not specify the **loaded** dimensions across Europe. The transport of finished vehicles is a unique case, because cars can be loaded on trucks outside the infrastructure limits. Lack of harmonized loaded dimensions results in the patchwork of national legislations and as a result inefficient cross-border transport. Also some other recent developments such as increases in cross-border movements due to vehicle production plants transferred to lower cost countries in Eastern Europe and increased dimensions of vehicles due to the changed consumer demands, mean that current trucks run inefficiently.

ECG commissioned Friends of the Earth (Italy) to conduct a study to identify the external costs from car transportation across all modes: road, rail and shipping. The study calculated the costs of CO<sub>2</sub> emissions and other external costs such as air pollution, noise, accidents and congestion in line with the EU's Handbook of recommended methods based on CE Delft study. Transporters using Euro II, IV and V engine types were considered.

The results of the study showed that the harmonization of loaded lengths of car transporters at 20.75 meters will allow the average number of cars transported to **increase from 7 to 9 (+29%)**. This means a **reduction of the number of cars transporters (trucks)** on EU road of up to **22%**, a **reduction** of external costs per car transported per km by **21.7%**, a **reduction of CO<sub>2</sub> emissions** per car per km by **19.4%**.

These significant reductions in external costs can be achieved by a mere amendment of the current directive, without increasing the overall costs of transport. ECG draws attention of the European Commission to this alternative and very simple solution.

### 4. Use of revenues

ECG believes that external cost charge revenues should be used to stimulate environmental improvement, either under an organizational approach (environmental management standards such as ISO 14001 or/and EMAS, environmental and sustainability reports), or for upgrading fleets and technologies to the most advanced environmental standards and efficiency levels.

**Revenues from charges should be in large part – at least 65% - specifically directed to reduce externalities that are at the source of the charge**, for example to enlarge road capacity (congestion reduction) or to install noise barriers. Revenues may be also usefully directed to provide the infrastructures and equipment needed by combined transport (road-rail, road-sea), to allow the use of the cleanest transport options. In any case at least 65% of revenues raised from external cost charges included in the road tolls should be reinvested in this mode.

### Conclusions:

ECG supports the principle of sustainable transport policy and the need to reduce the negative effects of transport on the society without hindering the economic development. The current EC's strategy on internalization of external costs is however not the right way to achieve these goals. The current proposal will only lead towards a significant road transport price increase, with considerable **disadvantages for the economy and society, and doubtful positive effects on the environment.**

ECG suggests **an alternative approach** that excludes charging and is based on the incentives to improve environmental performance under an organizational approach (EMAS) or to invest in new fleets and clean technologies.

Other more efficient and cost effective measure to reduce the external costs of transport would be the adoption of **legislation allowing for the optimum use of vehicle weights and dimensions** (revision of the current directive 96/53). In the finished vehicle logistics sector alone, the harmonization of loaded dimension of trucks at 20.75 meters would reduce external costs by per car transported per km by **21.7%** and **CO2 emissions** per car per km by **19.4%**.

ECG trusts this paper will be taken into due consideration and is available for any additional information.

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Established in 1997 in Brussels, *ECG* represents more than *2/3rds of the European Finished Vehicle Logistics industry*. ECG Members operate in the field of outbound logistics for the automotive sector, including **including transport in all modalities – rail, road, sea and inland waterway**, quality control at the end of the assembly line, storage in special compounds, removing of car distribution protection, accessories fitting, Pre-Delivery Inspections (PDI), customising, workshop activities and the refurbishing of former fleet vehicles. *ECG* has over 100 *members* from *24 countries*, with an aggregated direct turnover in excess of *12 billion euros* and *30 billion euros* of indirect turnover. Members represent *over 56,000 direct employees*. In terms of equipment, the *ECG members operate 20,000 trucks, 22, 000 rail wagons, 360 car carrying ships; 41 river barges; 144 port terminals; more than 60 million square meters of compounds; about one million square meters of workshops.*