

**UNICE VIEWS ON BASIC PRINCIPLES FOR
TRANSPORT INFRASTRUCTURE CHARGING**

A) INTRODUCTION

UNICE is open to discuss well designed economic and fiscal instruments which can contribute to reducing impacts and recovering infrastructure costs. As explained in other UNICE positions¹, these instruments must satisfy a number of criteria, particularly:

1. Effectiveness / efficiency criteria

- a) Existence of sound and transparent environmental or infrastructure cost-recovery objectives
- b) Environmental effectiveness
- c) Economic efficiency

2. Policy coherence criteria

- a) Compatibility with the principles of sustainable development
- b) Value to be added by Community initiatives
- c) Fair competition between transport modes

3. Impact criteria

- a) Practicability and minimisation of administration costs (e.g. through system interoperability)
- b) Preservation of the international competitiveness of European business and industry

Economic and fiscal instruments should be incorporated in a diversified and coherent policy mix reflecting the three dimensions (economic, social and environmental) characterising the challenges and channels for actions in the area of sustainable development. Market signals given by economic and fiscal instruments must result from a holistic approach for solution of environmental problems and go beyond a simple attempt to match external environmental costs with financial costs imposed on players.

Economic and fiscal instruments should be used exclusively to reach goals linked to reducing impacts and recovering infrastructure costs. Within the context of transport policy, UNICE would have very strong objections vis-à-vis any environmental or infrastructural taxes and charges if they are instruments for reaching quantitative targets for modal split. The idea behind infrastructure pricing with equal treatment of transport modes is to provide incentives

¹ UNICE contribution on market instruments for sustainable development – September 2002

geared to more environmentally conscious use of transport (infrastructure), and stimulating the use of cleaner vehicles and fuels. The cost elements that are charged for should be those that can be scientifically and objectively established. Those that carry an important degree of uncertainty with them – such as climate change, external accident costs and noise – should in UNICE’s opinion be left out for the time being. Once such a charging system is introduced, market forces should be left to do what they are best at, optimising the rational use of vehicles and infrastructure.

Additionally, the proposed combination of charging instruments and modal split targets could lead to a significant cost increase in transport, while the total logistics costs in the EU are already 13% higher than in the United States². Price is far from being the only factor that transport users take into consideration when they choose a mode of transport. The aspects of punctuality and quality of service also play an extremely important role in these choices and therefore in the use of the various infrastructures available. Where and as long as quality alternatives to road transport are not available, price incentives will only increase transport costs. Infrastructure charging should in no way be seen and used as a means to collect new tax income to finance investments that are not directly linked to the transport modes that generated the revenues. Other modes of transport than road transport must prove their capacity to compete in a market ruled by economic forces. However, when setting charge levels, transitional periods could be foreseen that take the depreciation period of the transport vehicles involved into account.

B) DETAILED COMMENTS

1) HARMONISATION OF FUEL TAXES

In addition to the plans for internalising external costs through infrastructure charging, the Commission has proposed introducing a harmonised Community diesel excise duty for commercial road transport (COM (2002) 410), which would be higher than the current average tax on diesel. This would help the modal rebalance and increase internalisation of external costs, according to the Commission. UNICE rejects this approach. UNICE considers that modal shift should not be forced, it should be the outcome of positive incentives and cost-quality improvements of the other transport modes.

Finally, the Commission argues that climate costs are to be covered by the excise duties. However, most scientific calculations attribute a far smaller shadow value to climate costs than the current level of excise duties. UNICE considers that at least part of these duties – especially when they are increased – should be earmarked for infrastructure improvements and for measures that reduce the negative externalities of transport (for example, fiscal incentives for acquiring cleaner vehicles).

2) DESIGN CRITERIA

In UNICE’s view, any proposal regarding charges for infrastructure and external costs (excluding congestion charges) should address the above-mentioned concerns and meet the following criteria:

- a) In line with the conclusions of the 5/6 December Transport Council, future proposals for infrastructure charging should undergo extended impact assessment in 2003. This should pay due attention to the effects on the market position of the different transport

² The total EU logistics market in 1996 amounted to 11.8% of GDP, Japan spent 11.4% and the USA only 10.5% - Transport and Logistics in Europe (European Commission and Price Waterhouse Coopers, 1999)

- modes, competitiveness (both at EU, national and regional level), accessibility of markets and efficiency of transport modes.
- b) Restructuring of transport charges and taxes should under no circumstances increase total transport costs. The objective should be to restructure transport taxes and charges in a way that results in adequate price signals, without hurting competitiveness.
 - c) Infrastructure charging should be non-discriminatory for the various transport modes. However, different depreciation periods for the vehicles involved should be taken into account, possibly allowing for transitional periods.
 - d) As a general rule, the income generated by charging should be spent on the infrastructure of the mode where it was raised and on reducing the negative impact linked to the use of that mode. Exceptions to this should only be allowed for a limited number of situations, for example in the case of sensitive (e.g. Alpine) regions. These situations where cross-financing would be allowed need to be defined very clearly and restrictively.
 - e) The introduction of a framework for infrastructure charging should be based on a decision taken at national level, on a voluntary basis. However, member states that wish to introduce infrastructure charging, should respect the European methodology, which should provide calculation methods and maximum charge levels. The cost levels should be re-calculated regularly to take increased or decreased costs into account.
 - f) When introduced at national level, these charges should be accompanied by reductions in other transport taxes, implying a fiscally neutral restructuring.
 - g) Infrastructure charging should not include congestion costs. These costs are internal to the user and - if only applied to freight transport – will hurt European competitiveness and not reduce congestion. However, if applied to all traffic, differentiated fees - as long as the total costs excluding congestion costs are not exceeded – could be envisaged according to time and place. The charge income should be earmarked for congestion-reducing measures.
 - h) Finally, alternative measures to deal with transport nuisances should be promoted. The Commission should benchmark good practices and disseminate them to the Member States. At annex we include a non-exhaustive list of alternative measures that have interesting potential in this respect.

ANNEX

Alternative measures to combat congestion, air/noise pollution and climate change:

- investments in infrastructure;
- infrastructure management;
- intelligent transport systems, telematics;
- investments in public transport;
- change of congestion-causing government rules (e.g. it has been calculated that abolition of the time restrictions for urban deliveries in the Netherlands would reduce freight traffic with one third);
- in addition to incentives for using cleaner and quieter vehicles, one could think of incentives for buying these vehicles;
- use of larger trucks (as allowed in Scandinavian countries, allowing one-third reduction of transport trips);
- driver training: it has been calculated by Swedish scientists that driver training would have 30 times more impact on CO2 reduction than modal shift;
- more efficient logistics: 174 implemented projects involving shippers and transport suppliers in the Netherlands between 1995 and 2000, will result in a saving of 850 million vehicle kilometres by 2010;
- transport reduction projects: by changing the product, the need for transport is reduced, for example by minimising the amount of transported water per product: transporting cola powder and only adding water at the place of consumption;
- service performance indicators: the European Shippers' Council has developed so-called service performance indicators for air freight, and is working on doing the same for short-sea shipping. These indicators clarify the shippers' requirements (as well as obligations) for efficient and quality transport, and can contribute to making less efficient modes like railway transport more competitive.

Flanking measures:

- investments in maintenance of waterways and transshipment terminals
- open access to port services
- railway liberalisation
- urban planning
- teleworking
- creation of a single European sky
- harmonisation of driving restrictions