

**PROPOSAL FOR A DIRECTIVE (COM 2003-448 FINAL) ON THE CHARGING
OF HEAVY GOODS VEHICLES FOR THE USE OF CERTAIN INFRASTRUCTURES
(AMENDING THE EUROVIGNETTE DIRECTIVE 1999/62/EC)**

UNICE OPINION

A. Executive Summary

UNICE is open to discussion on innovative approaches which seek to change the entire structure of taxes and charges levied on road freight transport with a view to achieving greater economic efficiency and environmental effectiveness than is currently the case. Well thought-out Community measures are desirable in this area, with the aim of preventing isolated national initiatives from holding back the development of common approaches at European level.

UNICE considers that the proposal for a directive presented by the Commission contains a number of positive elements for the development of such a common approach. However, this proposal needs to be adjusted and drafted more clearly in order to rectify the major problems it currently creates.

UNICE finds it unacceptable that the proposal for a directive implicitly enshrines a principle of a generalised cross-financing of non-road transport modes from the revenues generated by road, which could serve as a guideline for development of the *global* infrastructure policy of Member States.

On the other hand, provided that very strict conditions are met, UNICE can accept cross-financing whereby revenues collected for use of road infrastructure in certain *sensitive regions* are earmarked for development of certain non-road infrastructures situated in these same regions and exhibiting a significant European interest.

The formula proposed by the Commission with a view to calculating tolls or user rights can lead to serious divergences in unit cost (kilometre cost,...) between built up and peripheral areas in the European Union. In order to solve this problem, kilometre charges derived from the mathematical formula proposed must be *maximum* charges. In this way the governments of the peripheral countries may take into account the distortion of competition caused by lower volumes of traffic.

The inclusion in the proposal of accident costs which are "not covered by an insurance system, and are borne by society" is unacceptable, because such costs are often impossible to calculate.

More reliable provisions need to be worked out with a view to ensuring that the present burden of taxes and charges on road freight transport does not increase as a result of implementation of the directive.

It is of vital importance that the Commission's proposal is corrected on these points so as to facilitate - rather than hamper - the competitiveness objectives defined in Lisbon in 2000.

B. Introduction

The purpose of the Commissions proposal is to present a proposal for a Directive amending Directive 1999/62/EC (the "Eurovignette" Directive) on the charging of heavy goods vehicles for the use of certain infrastructures. The Commission announced its intention to propose a directive on charging for the use of road infrastructure in its 2001 White Paper "European transport policy for 2010: time to decide". The Commission justified its initiative by the fact that the Council has twice recalled its invitation to present a directive designed to solve the problem of the "Eurovignette" and that a number of Member States are considering individual initiatives to charge for infrastructure by distance which could undermine the smooth functioning of the internal market.

As a result on 23 July 2003 the Commission brought forward its proposals for a revision of the legislative framework for charging of heavy goods vehicles for infrastructure use (COM (2003) 448 Final). This Commission's proposal has the intention of passing on to users, the costs associated with road use more accurately across the EU. It will allow for the differentiation of road tolls according to type of vehicle, infrastructure used as well as time, period, location and distance travelled. It also seeks to permit the inclusion of accident costs in the proposed pricing scheme.

The proposal covers the trans-European road network (circa 60,000 km's of motorways, high quality roads plus secondary parallel roads which can be used to bypass parts of the network) and seeks to extend application of all rules to all heavy vehicles exceeding 3.5 tonnes used to transport goods.

C. General UNICE comments

UNICE stresses that the restructuring of transport charges and taxes should under no circumstances lead to an increase in total transport costs for the user. The Commission partly recognises this basic point, but not strongly enough as shown by its statement in the introduction saying that "*where possible, the financial burden for the transport sector must not be increased, but distributed differently by replacing fixed taxes and charges by a system of charges related to use*" (page 17, paragraph 8). The total cost per user per kilometre should not increase as a result of these proposals. To this end, the draft directive should be explicate as to the levels of taxation envisaged and the means of implementation. The implementation costs should be as low as possible.

In addition, it can be pointed out, that the continued existence of fuel duties following the coming into force of this Directive (a fact legislated for in the recent energy taxation Directive) will effectively result in a double taxation situation. The objective of the restructuring should be to restructure transport taxes and charges in a way that results in acceptable pricing, without hurting competitiveness. UNICE would like to ask the Commission to explain how costs will not increase with these proposals and how they propose to overcome the problem.

D. Specific UNICE comments

1. Need to prevent an increase in total road transport taxes and charges

1.1 Summary of the Commission proposals

The Commission's proposal invites Member States to adjust existing tolls so that they are "weighted" and "related to the costs of constructing, operating, maintaining and developing the infrastructure network concerned" (Article 1, point 3, paragraph f). These introduced tolls may vary at the Member State's discretion with reference to a number of different criteria such as "(a) vehicle type, based on its road damage class in conformity with Annex III and its

EURO emission class in accordance with Annex 0; (b) time of day and level of congestion on the road concerned, provided that no toll is more than 100% above the toll charged during the cheapest period of the day; c) the particular road in the network, depending on the environmental sensitivity of the area, the population density or the accident risk” (Article 1, point 3, paragraph g).

1.2 Changes needed in the approach proposed for fixing tolls / user charges, and for setting differentiated charges

UNICE strongly believes that there should be a clear link between the average level of differentiated charges and the official weighted average infrastructure costs as outlined in Article 1, point 3, paragraph f. The use of differentiated charges should not lead to a situation where revenue collected exceeds the official weighted average costs. These average costs should represent a ceiling for the charges that can be levied. If justified by special circumstances, Member States should have the possibility of introducing tolls generating a revenue which is lower than the official weighted average costs. This is particularly necessary as the proposed charges (calculated under the formula presented in the annexes to this proposal) will result in a serious divergences of unit cost between built up and peripheral areas in the European Union. If, as is proposed, total costs of infrastructure charging divided by the number of heavy vehicles per km travelled is used as a means of calculating tolls/charges then these tolls/charges in peripheral areas (e.g. Finland, Greece, Ireland etc.) will be significantly higher than in the interior (e.g. Belgium, Germany, the Netherlands etc.). In order to solve this problem, kilometre charges estimated by the given mathematical formula must be maximum charges. In this way the governments of the peripheral countries may take into account the distortion of competition caused by lower volumes of traffic.

1.3 Congestion, noise and emissions

UNICE agrees with the exclusion of certain costs that are difficult to quantify objectively such as the external costs of road congestion and noise. It must be noted that according to the proposal, charging based on emissions classification of Euro category vehicles (as outlined in annex 0) could result in a form of (indirect) charging related to environment damage being levied. There needs to be a clear analysis of the levels and consequences of this before any decision can be taken.

1.4 Accidents

For UNICE, it is unacceptable to include in this proposal accident costs which are not *“covered by an insurance system, [and] are borne by society”* (Article 1, point 3, paragraph f) because these are often impossible to calculate. This provision must be deleted since the introduction of criteria that are difficult to quantify objectively could lead to a very arbitrary character of any future national initiatives that may be based on this directive.

Another problem is that infrastructure charging policy should restructure existing charges, and not introduce new ones. UNICE is opposed to infrastructure pricing including costs linked to accidents, since such a provision would inevitably lead to an increase in tolls/charges to be paid by users. UNICE is all the more opposed to this provision because it could prompt an increase in charges ad infinitum. It is necessary to carry out a much more in-depth impact assessment for this provision, and to establish limits for the consequences of this measure.

2. Offsetting charging

There should be much more certainty in the provisions allowing Member States to offset the introduction of such charges e.g. by reducing the annual vehicle tax. UNICE firmly stands by the view that infrastructure charging must be offset by reductions in existing charges/taxes/tolls so as not to result in an overall increase in total transport costs. The proposals for offsetting infrastructure charging need to be stronger and more wide-ranging and must not be just optional. Limiting compensation to just vehicle taxes will not be sufficient. The Commission needs to be more specific on these proposals and on where compensation should be available (e.g. fuel taxes; labour taxes, duties, etc.).

Member States must be required to introduce offsetting measures by this Directive. According to the proposal, Member States cannot use revenues raised by infrastructure charging for purposes other than improving the transport infrastructure. In view of the fact that current existing transport taxes (such as vehicle and fuel tax) can be used for non-transport expenditure, Member States “may”, as suggested by this proposal, choose not to lower these other taxes as the means by which they should provide compensation and keep overall costs down. There should be specific proposals that require Member State compliance in offsetting charges otherwise transport costs will inevitably rise.

It should also be noted that infrastructure charging, if not accompanied by realistic and workable compensation proposals, will not just result in increased costs to the transport industry and road users but will effectively also result in the increased cost of everyday consumer goods as the increased costs are passed on to the consumer.

3. Allocation of revenue

As a general principles UNICE firmly believes that the income generated by any infrastructure charging proposal 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. Revenues raised as a result of proposed charging on the road infrastructure should basically be earmarked for road infrastructure only. It should not be available to the exchequer of the responsible Member State for anything other than this purpose. Neither should it be used for cross-subsidisation between modes of transport or parts of Europe as a result of the introduction of these charges as is suggested by this proposal. Revenue raised on roads in a particular Member State should only be used to finance infrastructure in this country or on links with directly neighbouring countries.

Therefore, while noting and agreeing with the very precise wording of the Commission’s proposal regarding the allocation of revenue raised from infrastructure charges: *“tolls and/or user charges shall be used for the maintenance of the infrastructure concerned”* (Article 1, point 6, paragraph b), in particular because it closes the door on any form of allocation which does not relate to transport infrastructure, a serious concern remains regarding the meaning of the words *“and for the benefit of the transport sector as a whole, taking account of the balanced development of the transport networks”* (*ibid.*). This reference requires serious clarification of meaning as it could be interpreted by national Governments as an invitation to large-scale cross financing. Member State Governments and the Commission must recognise the plain fact that a majority of road traffic is not replaceable by a modal shift to rail transport. This reality has to be accepted and reflected in proposals for infrastructure charging.

UNICE believes that the *“construction costs”* to be considered for calculating tolls / user rights should be limited to *future* road construction projects. UNICE does not agree with the proposal that revenue raised by the introduction of this Directive should be used to finance

infrastructure constructed *prior* to its coming into force. Current existing taxes and charges are meant to finance past and present infrastructure projects. Allowing future infrastructure charges introduced as a result of this Directive to pay for past projects in effect charges users twice for their construction and is unacceptable. In the event that this comes to pass, then a fixed timeframe, for example 15 years (as outlined in the proposal) should be set beyond which infrastructure charging introduced as a result of this proposal cannot be used for.

4. Sensitive regions

This Commission proposal proposes that in exceptional cases concerning infrastructure in particularly sensitive regions (primarily mountainous regions) a mark-up (up to 25%) may be added to the tolls to allow for cross-financing the investment costs of other transport infrastructure in the same corridor and the same area. UNICE accepts the reasoning for this proposal but holds the firm opinion that exceptions such as this should only be allowed in a limited number of situations such as for example in the case of sensitive (e.g. Alpine) regions and that these situations where cross financing would be allowed need to be defined very clearly and restrictively.

5. Toll collection

On the collection of tolls the Commission's Communication outlines the introduction of an electronic motorway toll collection system. The aim appears to be to steer clear of a multiplication of divergent national initiatives which could possibly result. Industry believes that these proposals need to be better coordinated with current tolls (and those that will continue to exist in parts of Europe not covered by these proposals).

The proposal sets no deadline for the elimination of the "Eurovignette". It allows its continued co-existence with current road tolls and new charges based on distance. Continued co-existence of existing tolls such as the "Eurovignette", harmonised charges on the TENs and different local charges on the non-TENs network will create nothing other than a multi-layered patchwork of different systems that will increase costs and distort competition. Where tolls will exist that are not covered by this Directive they need to be interoperable and in line with the agreed EU methodology and method of calculation as outlined to ensure consistent, harmonised application of the infrastructure charging system.

6. Toll adjustments

Where Member States seek to use electronic systems to assist in the collection of these tolls/charges then the electronic units to be used should reflect a consistency of technology, be available within reason to all vehicles and should be designed for multi purpose use rather than just toll collection.

Member States that wish to introduce infrastructure charging, should respect the proposed European methodology, which should provide calculation methods and maximum charge levels. Cost levels should be re-calculated regularly to take increased or decreased costs into account. The failure to provide for this in the proposals entails a huge risk for transit routes. It must be also emphasised that the final mathematical formula which will be eventually used to determine tolls/charges need to be thoroughly examined, analysed and tested prior to agreement on their introduction. UNICE does however note with concern that the proposal fails to identify boundaries for the levels at which the infrastructure charges defined on the basis of the proposed methodology might be levied.

7. Independent Supervisory Authority

UNICE is pleased to note provisions in the proposal which provides the means to ensure that the rules are complied with, principally through creation of independent national supervisory authorities which would have the responsibility for monitoring the operation of national systems, verification of allocation of financial resources for reinvestment in transport networks, and promotion of synergies between the various sources of funds earmarked for infrastructures.

8. Limiting the proposal to utility vehicles carrying goods

Limitation of the scope of the proposal to utility vehicles carrying goods is something which European Industry has difficulty accepting. As a very first point charging will not affect congestion levels unless they are applied to all vehicles. The reality that is other road users cannot be overlooked even if this proposal for a Directive only focuses on heavy goods vehicles. Member States who wish to introduce infrastructure and congestion charging that is differentiated, for example, by the time of the day must do so in a realistic way. This they can only do if such congestion charges are applied to those that are most responsible for congestion. The Commission's proposals need to reflect more this fact. Also it must be noted that if heavy goods vehicles are to be charged for the use of Europe's main transport routes then heavy goods vehicles operators are going to expect to see some return and benefit, for example the construction and maintenance of dedicated truck lanes.

The absence of guidelines for charges on vehicles not covered by the proposal weakens it and penalises the road transport industry unfairly. The failure to differentiate rates between category Euro II, Euro III and Euro IV vehicles combined with a failure to also specifically consider utility vehicles used for short-distance transport and going about local distribution activities which cannot be transferred to other transport modes also weakens this proposal and excludes the possibility of charging the majority of legitimate users of the road infrastructure network. These proposals also represent an open door, in the name of subsidiarity, to national and local measures entailing additional charges. This undermines the ultimate purpose of the proposal, which is to solve the problem of individual initiatives that might threaten the smooth working of the Internal Market.

9. Infrastructure charging for other transportation modes

Lastly, European Industry has to express its disappointment that the Commission appears to have sidestepped the issue of infrastructure charging for transport modes other than road. If proposals are to be introduced which provide for infrastructure charging then it is the view of European Industry that it be applied equally to all the various transportation modes and not just to that by road. This issue has not yet been settled for the railway infrastructure, while there are also major disagreements between networks about unilateral revisions of network access charges. All of these issues need to be addressed if a fully functional and successful infrastructure charging system is to be put in place.

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