

European Rail  
Infrastructure Managers



The Voice  
of European  
Railways



## JOINT POSITION PAPER ON THE INTERNALISATION OF EXTERNAL COSTS AND THE REVISION OF THE EUROVIGNETTE DIRECTIVE

January 2009

## **JOINT POSITION PAPER ON THE INTERNALISATION OF EXTERNAL COSTS AND REVISION OF THE EUROVIGNETTE DIRECTIVE**

The Greening Transport Package adopted by the European Commission on 8 July 2008, which includes a proposal to revise the Eurovignette Directive on charges for heavy-goods vehicles, is an **important milestone in the drive to internalise the external costs of transport**. This package finally opens up the possibility for Member States to put the “polluter pays” principle into practice in the freight transport sector and helps to create a more level playing field between transport modes.

A broad coalition of representatives of the transport sector, including railways, intermodal transport, logistic and forwarders, long argued that EU Member States should be able to apply internalisation for road freight transport – as they can already do for the other modes of transport and for private cars. This will finally put an end to the paradox in which the most polluting mode – road – is the only one to benefit from a privileged legal situation: a ban on taking external costs into account when setting road charges for heavy goods vehicles.

**We thus welcome the Commission’s proposal, the Parliament’s Report by Mr. El Khadraoui and his compromises proposed to the TRAN Members, as first steps in the right direction. The speedy approval of the Directive is necessary to finally allow Member States to internalise the external costs of heavy good vehicles and remove the exclusive privilege for road, the most polluting mode and yet the only one that cannot be charged for its real costs. This measure is long overdue to put transport policy in line with EU goals on the environment, climate change and the Lisbon Agenda. By ‘turning green into gold’ Europe can create competitive advantages through investment in innovations.**

### **A unique privilege for road: the ban on external costs charging**

The current Eurovignette Directive makes road freight transport the only mode for which the internalisation of external costs is **explicitly prohibited**, whereas Directive 2001/14 allows it for rail.

Road and maritime transport are the only modes without specific climate targets or market-based instruments to achieve concrete reductions in GHG emissions. Airlines will be covered by the Emissions Trading Scheme (ETS) as of 2011-2012, while railways (with 80% of total traffic powered by electric traction) already participate today through the inclusion of the electricity generating sector in the ETS.

### **The most polluting mode of transport**

The European Environment Agency pointed out in a recent report (N 12/2008) that transport’s carbon footprint is a major obstacle to achieving a sustainable,

low-carbon economy in Europe. The EEA urges policy makers to take “a fresh approach to address the spiraling growth of transport, supporting measures that include pricing schemes”. Greenhouse gases already account for 27% of the total EU CO<sub>2</sub> emissions and road transport is responsible for 72% of these. The Agency points out that **transport is the only industrial sector where emissions continue to grow.**

**HGV are responsible for 23% of total CO<sub>2</sub> emissions generated on roads** and 4.5% of total emissions. If no new measures are taken to address freight transport emissions, the share of HGVs alone in total CO<sub>2</sub> emissions will rise to 7-8% by 2020. This will seriously undermine the EU climate package targets to reduce overall emissions.

### **Congestion causes enormous cost to society**

**Congestion costs must be kept in the scope of the Directive**, because road congestion accounts for 40% of all the external costs of road transport.<sup>1</sup>

- HGVs have a **disproportionate effect** on congestion. HGVs only account for 3% of vehicle-km driven in the EU, and yet they cause around 20% of congestion.<sup>2</sup> Member States are currently **free to apply congestion charges to private cars** – but are prohibited from doing so for the smaller number of vehicles, HGVs, which cause disproportionate congestion.
- Because of their disproportionate congestion impacts, introducing HGV charging as a first step could be a more acceptable means of introducing road charging schemes nationally, with extension to passenger cars as considered appropriate at a later date. **The two however should not be linked:** Member States must be free to decide on either or both schemes.

### **Trucks are major causes of accidents**

The number of people killed on the roads in the EU27 in 2006 was almost 43,000. The percentage of road accidents caused by HGVs is around 14% for the EU as a whole. This means that 6,500 fatalities can be attributed to HGVs. Per km run, **HGVs are twice as likely as private cars to be the cause of fatal accidents.**

A significant proportion of the costs of accidents is not recovered through insurance and is therefore included in external costs. We therefore recommend the **inclusion of accident costs in the scope of the Directive.**

### **A major opportunity for the EU to act on climate change**

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<sup>1</sup> Unification of accounts and marginal costs for Transport Efficiency, UNITE, 2004.

<sup>2</sup> Source: CE Delft, 2009, Are trucks taking their toll?

The external costs of CO<sub>2</sub> emissions should be included among the elements that can be charged for as part of the Eurovignette framework.

Total CO<sub>2</sub> emissions of road freight transport are projected to increase by around 50% by 2020.<sup>3</sup>

- In December 2008, the climate change package was adopted by Parliament and EU Heads of State. The package includes the effort-sharing proposals to reach specific CO<sub>2</sub> reduction targets. It will be **left to Member States to define and implement policies and measures** in several sectors, including transport, in order to comply with those targets. In keeping with the principle of subsidiarity, Member States should therefore be allowed to meet the targets according to their wishes – including through charging for CO<sub>2</sub> emissions from heavy goods vehicles.
- **The EU has still not delivered any market-based instrument to tackle CO<sub>2</sub> emissions from road transport. This is a major failure in the EU's fight against climate change**
- Internalisation of the climate change costs of road transport can be achieved via fuel taxation. However, fuel tax rates currently vary considerably across the EU. **Reaching EU-wide agreement on using fuel taxation to regulate CO<sub>2</sub> emissions will be extremely difficult**, and there are no proposals for this in the current revision of the Energy Taxation Directive.

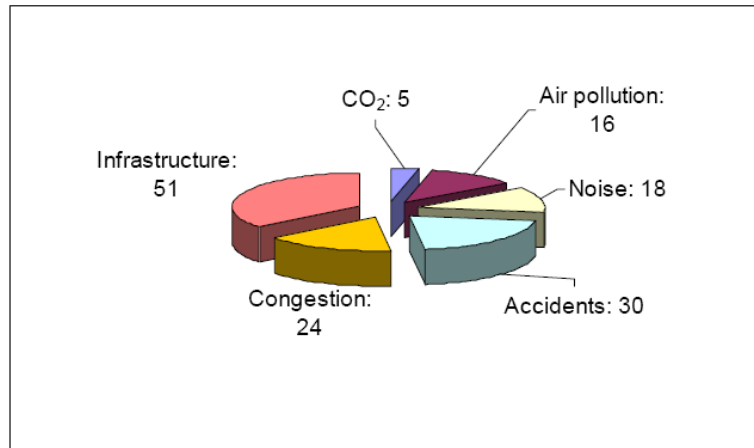
**Pending a legislative revision which explicitly provides for the internalisation of climate change costs through fuel taxation, Member States should be allowed to include these costs in external cost charges.**

### **Taxes do not cover external costs**

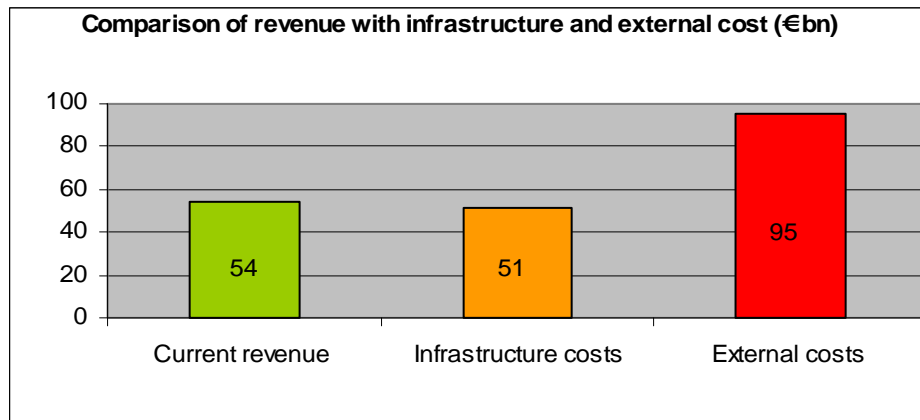
The following chart summarises the infrastructure and external costs caused by HGVs in the EU27 (figures in €bn in 2006) giving a total of €144 bn:<sup>4</sup>

<sup>3</sup> Source: CE Delft, 2009, Are trucks taking their toll?

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The following figure compares revenue from taxes and charges on HGVs with the costs they impose on infrastructure and external costs for the EU27.



The taxes (including fuel taxes) and charges currently paid by the road haulage industry (€54bn) approximately equal the infrastructure costs, leaving a **further €3bn in external costs unpaid**.

**Environmental, climate and accident costs are not currently paid for by the sector which causes them.**

### **Earmarking: The polluter should pay and not be reimbursed!**

- Eurovignette should be seen as a charge for costs incurred, rather than a tax.
- Revenue should be invested to increase sustainable transport, to offset the negative externalities.
- As clearly shown by the Swiss Heavy Vehicle Fee, distance based charges have no effect upon the economy. Switzerland is still a highly competitive economy.

### **Caps only as a start-up**

In principle, the limitation of external costs by means of certain maximum values proposed by the Commission seems out of place, since the Handbook

provides a detailed and **reliable method to calculate the real external costs** on a local basis. However, we understand that – as a first step – setting maximum values might result in an incentive to Member States to put in place the system **gradually** and evaluate its impact before fully internalising the external costs.

**We therefore support the compromise proposed by Mr El Khadraoui that keeps the caps but adjusts the values of congestion costs to a more realistic scenario.**

### **Voting recommendations**

Considering that the proposal of the Commission is a first step in the implementation of the polluter pays principle, we ask the Members of the TRAN Committee to:

**SUPPORT THE RAPPORTEUR'S PROPOSALS and any amendment providing for:**

- The inclusion of greenhouse gases
- The inclusion of accidents costs
- The earmarking of revenues for sustainable development in transport
- The use of cap values according to the Commission Handbook

**REJECT any amendment providing for:**

- The exclusion of congestion costs
- Earmarking exclusively to road transport
- Maximum values not based on transparent scientific evidence

### **Good scientific basis and good roadmap to internalise the external costs**

While we support Mr El Khadraoui's step-wise approach, we regret that the Report by Mr Jarzembowski on the "Greening transport package" and the "Strategy to internalise the external costs" of transport do not fully acknowledge the important work done by the Commission to develop a scientific basis to calculate external costs.

The "IMPACT Handbook" published by the Commission in January 2008 represents a consistent, comprehensive and solid model for calculating external costs for all modes of transport, finally consolidating all the scientific knowledge available on this complex subject.

Concerning the balance between modes, the Commission's research correctly shows that road is the only mode for which new legislation is urgently required. For the other modes, a detailed roadmap is presented in the "Strategy for the internalisation of external costs" (COM (2008)435).

**On Mr Jarzembowski's report, we therefore ask to the Members of the TRAN Committee to SUPPORT any amendment:**

- emphasising the good work done by the Commission with the Handbook on the scientific assessment of external costs;
- acknowledging that the Greening Transport Package is a good, stepwise basis to tackle transport externalities
- pointing out existing measures to reduce rail noise

A more detailed voting recommendation will be sent by our coalition in the next few days. Please do not hesitate to contact us for any further information. Our coalition is open to any other association that shares the same views on this issue.

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The Community of European Railway and Infrastructure Companies (CER) brings together more than 70 European railway undertakings and infrastructure companies. CER represents the interests of its members vis-à-vis the European institutions as well as other policy makers and transport actors. CER's main focus is promoting the strengthening of rail as essential to the creation of a sustainable transport system which is efficient, effective and environmentally sound. For more information, see [www.cer.be](http://www.cer.be)

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EIM, the association of European Rail Infrastructure Managers, was established to promote the interests and views of the independent infrastructure managers in Europe, following liberalisation of the railway market. It is a lobbying organisation which also provides technical expertise to the appropriate European bodies. To find out more about EIM, visit [www.eimrail.org](http://www.eimrail.org)

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UNIFE represents the interests of the European Rail Industry towards the European institutions, international railway associations and other business relations. The European Rail Industry provides competitive railway systems for increased rail traffic and follows the objective of making rail transport the sustainable solution for the challenges of the 21st century mobility. The European Rail Industry consists of trend setting industries in the field of rolling stock, infrastructure, information technology and signalling, provision of part and services. For more information, see [www.unife.org](http://www.unife.org)

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ERFA (European Rail Freight Association) was set up in Brussels in July 2002 to represent the interests of the new independent and private 'open access' rail freight operators and shippers. Today, ERFA comprises 27 rail freight operators and customers as well as 7 national rail freight associations from 16 countries in wider Europe. ERFA's main objective is to make the rail freight market fit for competition and thereby expanding the market share of rail freight. ERFA's activities span all aspects to achieve this, from legal over technical to administrative and social issues.

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EFRTC was founded in 1997. Membership consists of national federations, or where these do not exist national coordinators, representing the majority of specialist trackwork contractors for countries that are members of the European Union (EU), or the European Free Trade Area (EFTA). National federations and coordinators from other countries may be admitted as associate members. The principal objective of the EFRTC is to promote the common interests of its members - the specialist European trackwork contractors.

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The mission of the European Intermodal Association is to develop, improve and promote sustainable intermodal mobility combining innovative rail, waterway, road, air and maritime transport solutions. We aim at using every mode of transport in the most optimal way by improving their links with each other (also called "co-modality").

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Interessengemeinschaft der Bahnspeditionen (IBS), the community of interest of railway forwarding agents, was founded in 1996 to influence the economical and political processes of the expanding European Union and globalisation.