

**Amending Directive 1999/62/EC
on the charging of heavy goods vehicles for the use of certain infrastructures**

European Parliament Second Reading

September 2005

Recommendations from:

Alliance Heavy Vehicle Charge for the Whole of Europe

AK: Austrian Chamber of Labour

Austria Railway Workers Trade Union (GdE)

BUND: Friends of the Earth, Germany

CEE Bankwatch

ERFA: European Rail Freight Association

ERFCP: European Rail Freight Customers Platform

EEB: European Environment Bureau

EIA: European Intermodal Association

EIM: European Rail Infrastructure Manager

ETF: European Transport Workers Federation

Friends of the Earth Europe

GDBA: German Transport Trade Union

Pro-Rail alliance Germany: The Allianz pro Schiene e.V. (Pro-Rail Alliance)

T&E: European Federation for Transport and Environment

Transnet: German Transport Workers Trade Union



**Bündnis LSVA
für Europa e.V.**

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1. The European Commission's proposal

Since 1993 the Eurovignette Directive has provided guidelines for charging lorries for road use. The current Directive dates from 1999 (1999/62/EC). In August 2003, the European Commission presented a proposal to amend this Directive.

The basic principles of the Commission's proposal:

1. The directive covers time depending user charges and distance depending tolls. There is no preference between the two instruments.
2. There is no obligation for member states to implement one of the two instruments. However, if member states implement user charges or tolls they have to apply the rules laid down in the Directive.
3. Member States have to ask permission from the European Commission to apply charges on first class roads others than those belonging to the Trans-European Transport Network (TENT).
4. Infrastructure and accident costs, which are not covered by insurance, and effective costs to reduce noise and soil contamination can be taken into account.
5. A mark-up of 25 % on top of the average weighted fee is possible in sensitive mountainous areas if the revenues are used for financing priority TEN-T projects.
6. The revenues must be used for the maintenance of the infrastructure concerned and the transport sector as a whole. This means, that the member states cannot decide upon the use of their revenues (which goes against subsidiarity).

T&E and a broad range of other transport stakeholders criticised certain elements of the draft revision. In particular, this coalition believes that it is essential that any revised Directive must **allow Member States** the right **to apply road user charges to the whole road network without any restrictions**, the right **to decide on how the revenues are used** for and the right **to include all external costs**.

2. Differences between political agreement of Council and first reading EP

The most important differences between the political agreement of the Council and the first reading in the EP are:

1. Costs determining weighted average tolls (article 7/9): The political agreement of the Council limits the weighted average tolls to the recovery of infrastructure costs only. The EP included in its first reading in addition to the infrastructure costs also other elements as costs to reduce noise and environmental damages from air pollution and congestion.
2. Variation (article 7/10): The Council accepted a text on variation that allows cumulating 100 % variation for environmental performance (according to Euro classes) and 100 % for the time of day, type of day or season. The first reading of the EP allow only for a maximum variation of 100 % including the type of vehicle.
3. Mark-ups (article 7/11): The Council allows for mark-ups of 15 % in sensitive mountainous regions and 25 % in exceptional cases to finance cross-border projects. EP's first reading allows for 25 % in mountainous regions and agglomerations referred to in directive 96/62 (air quality).

3. Recommendations for second reading

The signing organisations (see Annex 3) support for the second reading in the EP the following approach:

External costs: The possibility to include external costs even in a medium term must be part of the revised directive.¹ The question of external costs will most likely be the most difficult one in conciliation. The signals from the Council are quite strong against the inclusion of external costs, although certain member states would be in favour of external costs. Therefore, there will be only a chance to make progress on external costs if the second reading from the EP strongly confirms the position from the first reading to include external costs.

Thus, the EP should follow at least its first reading with the following amendments. This approach is the minimum requirement on external costs:

- Maintain definition of external costs : (EP first reading P5_TA(2004)0305, p. 10)

'Article 2(f) 'external costs': costs being clearly caused by the road freight system, but not calculated in the market prices of their services. They can include congestion costs, environmental costs, such as local and global air pollution, noise, landscape damages and social costs, such as health and indirect accidents costs, not covered by insurances.'

This definition is quite broadly accepted and should be maintained in second reading.²

- Open a window to charge external costs in a later stage (EP first reading P5_TA(2004)0305, p. 12/13)

'Article 7/9. The weighted average tolls shall be related to

- the costs of constructing, operating, maintaining and developing the infrastructure network concerned, including payment of interest on capital invested,
- the return on capital invested,
- any infrastructure costs designed to reduce nuisance related to noise and costs of actual payments made by the infrastructure operator for investments aimed at accident prevention and reduction,
- costs corresponding to objective environmental elements such as for example soil contamination and atmospheric pollution, including congestion costs where these can be objectively quantified by a methodology duly adopted at European level for the purpose of such calculations. *Proposed addition to first reading: As long as no methodology is approved, Member States may add not more than 60 % of the infrastructure costs to reflect a minimum level of external costs.*

These tolls, calculated according to the method outlined in Annex II, are maximum levels; Member States may apply lower levels as well.'

¹ See annex 1 about the importance of external costs.

² See for example White Paper on 'Fair Payment for Infrastructure Use', European Commission 1998.

The fourth bullet point opens the window, as intended by the EP's rapporteur at the first reading, to allow in a later stage the inclusion of environmental costs. Such a window is the minimum requirement regarding external costs and should be maintained in second reading. The text adopted by the council³ closes all doors on external costs and is unacceptable. In addition to the minimum approach of the EP's first reading, a reference should be made to existing and already accepted calculation methods, as e.g. UNITE⁴, Infrac/IWW⁵ or the calculations of the Swiss Heavy Vehicles Fee⁶. For an intermediate period, before adopting a methodology, member states should be given the possibility to charge the undisputed level of these external costs. The most conservative estimates from UNITE show that external costs correspond at least to 60 % of infrastructure costs (see annex 1).

- Design a time frame to integrate external costs (EP first reading P5_TA(2004)0305, p. 14 and 18)

'Article 7/10a.

Not later than two years after entry into force of this Directive, the Commission shall devise a generally applicable, transparent, and comprehensible model for the assessment of all external environment-, congestion-, and health-related costs to serve as the basis for future calculations of infrastructure charges.

The Commission shall be assisted for that purpose by a committee consisting of representatives of the Member States and chaired by the representative of the Commission. The procedure referred to in Article 9c(3) and (4) shall apply.'

This requirement from EP's first reading should also be maintained in second reading. The model should be developed by representatives from different stakeholders as industry, transport professionals, NGOs, trade unions and academics and used as guidelines for member states to calculate infrastructure charges.

Article 9b

The Commission shall update the Annexes in the light of technical progress or of inflation, in accordance with the procedure referred to in Article 9c(3). In that connection, it shall draw up uniform bases and principles for calculating external costs.

It is reasonable to include external costs in the Annexes and to maintain this text in second reading.

Mark-ups (article 7/11): **The EP should confirm its first reading** and include urban zones with the reference to the air quality directive 1996/62/EC and maintain the 25 % level of mark-ups.

Variation (article 7/10): The EP should accept the Council's version on variation of the toll. This allows better for bringing transport prices closer to the real costs, although it still may not be enough with regard to the effective cost differences. The approach of the EP's first reading is too restrictive. It would only allow 100 % differences between a very polluting 40 tons truck on a busy road and a quite clean 3.5 ton truck on remote, uncongested road. This gives clearly not enough incentives to use the cleanest possible vehicles in the most efficient way.

³ Common position of the Council: Art 7/9: 'Tolls shall be based on the principle of the recovery of infrastructure costs only.'

⁴ UNification of accounts and marginal costs for Transport Efficiency (<http://www.its.leeds.ac.uk/projects/unite/>)

⁵ Infrac/IWW: "External costs of transport – update study, October 2004.

⁶ This fee has been accepted by the European Commission and all its member states in the framework of the bi-lateral land transport agreement between the European Union and Switzerland.

4. Procedural considerations

The signing organisations are aware of the difficult procedure to gain a common position in the Council. Nevertheless, the signing organisations call on the Members of the European Parliament to conclude on a powerful second reading reflecting the interests of the European Parliament. The signing organisations also support a conclusion on this dossier as soon as possible but not at any price. If the crucial question of external costs is not dealt appropriately this revision makes little sense. The signing organisations call on the European Parliament to make this clear during second reading and not to look for a compromise with the Council at this stage already.

Annex 1

Why are external costs important?

'Getting the Prices Right' was the title of a groundbreaking 1993 T&E report and has remained a key slogan ever since. It made the case that the price of transport as charged to users should reflect the real costs to society, including infrastructure costs and external costs of emissions, accidents, congestion and noise. This would encourage users to choose the least damaging vehicles, routes and modes, to only make trips that deliver net benefits to society, and to use existing infrastructure capacity more efficiently. In short, correct price signals would make the transport sector economically, environmentally and socially more efficient and fiscally more fair. Above all, the 'user' and 'polluter pays' principle are recognised as common sense in other sectors of the economy where we have to pay for what we use and what we damage.

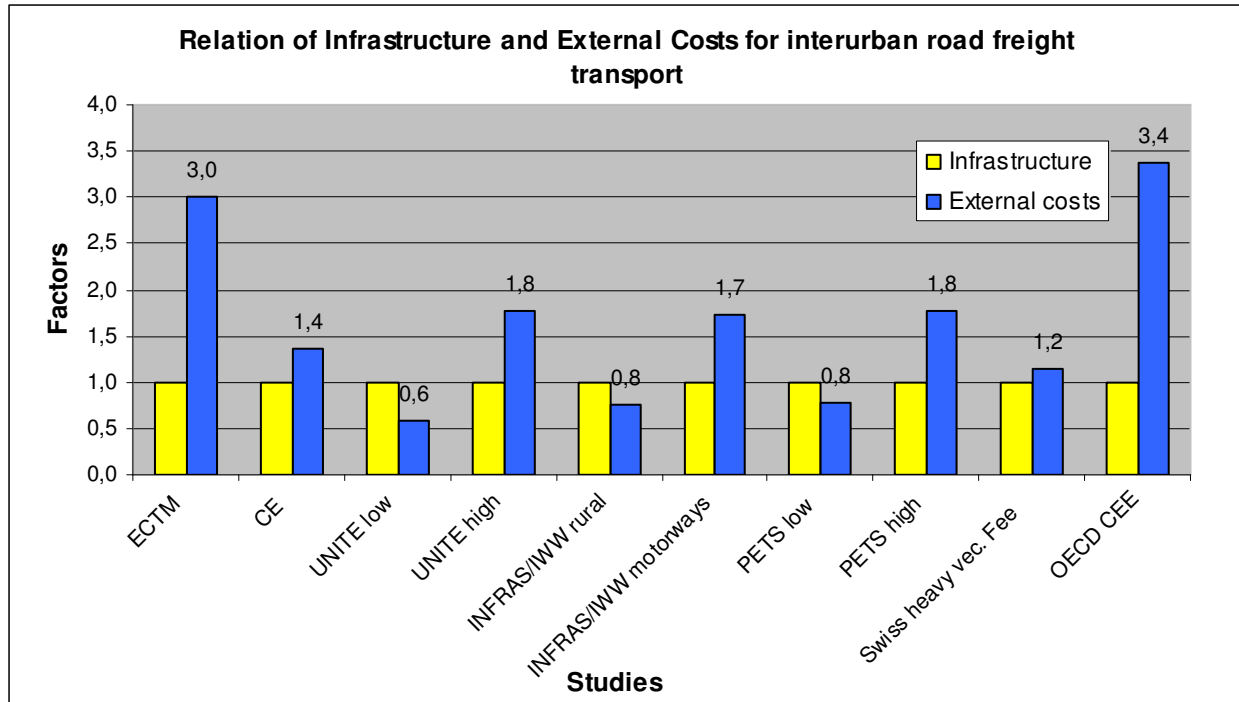
The potential gains of 'getting the prices right' are enormous; the total costs of the EU transport system are about 10 per cent of GDP and more accurate prices would make large savings on all cost items possible.

The European Commission has underlined the importance of a user-based pricing system on several occasions, for example in its 1995 Green Paper 'Towards fair and efficient pricing', in its 1998 White Paper 'Fair payment for infrastructure use', and finally in its 2001 White Paper updating the Common Transport Policy 'European transport policy for 2010: time to decide'. In the last of these, the European Commission said it would publish a framework directive on transport infrastructure pricing in 2002. However, in the spring of 2003, the Commission abandoned this approach, despite demands from heads of government at the Barcelona summit in March 2002 that transport costs must be reflected in transport prices by 2004. In short, the framework for a European transport pricing system is still incomplete and incoherent. So far, only railways must pay infrastructure charges in a comprehensive way, i.e. on the entire network and for both passenger and freight transport (directive 2001/14/EC).

The latest study from INFRAS/IWWW estimate the total external costs from transport at about EUR 650 billion in 2000 or 7.3 % of GDP. Road transport contributes by far the most to these external costs, i.e. 83.7 %. Aviation contributes 14.7 %. Passenger transport accounts for two thirds and freight for one third of the external costs. Within the freight sector, road transport accounts for about 95 % of the external costs. (www.infras.ch)

Quite a few studies show the importance of external costs in relation to infrastructure costs. The most conservative studies estimate the level of external costs at least at 60 to 80 % of the infrastructure costs. These figures include only costs for air pollution noise and accidents.⁷ The differences between the studies are more caused by different assumptions than by differences due to the methodologies applied (see CE 2003). Although there is not yet a common methodology politically approved to calculate all external costs it is quite safe to take these minimum levels into account already now. The exclusion of all external costs is surely wrong and further supports the inefficient use of transport infrastructure.

⁷ Much more external costs are already known, e.g. congestion, climate change up and down stream processes. However, the different studies do not all take them into account and thus should not be included in determining minimum levels.



CE Delft 1999: *Efficient prices for transport; estimating the social costs of vehicle use*

CE 2003: External and infrastructure costs of road and rail traffic - analysing European studies

ECMT 1998: Efficient Transport for Europe; policies for the internalisation of external costs (Paris)

INFRAS/IWW 2000: External costs of transport, accident, environmental and congestion costs of transport in Western Europe (Zuerich, Karlsruhe): Infrac has not included infrastructure costs in its study. Thus, the UNITE infrastructure costs serve as a reference value. The INFRAS figures have been up-dated in 2004. However, the 1999 figures date from a similar period as the other studies, are therefore more comparable and follow also a more conservative and cautious approach.

OECD 2003: Working Party on National Environmental Policy Working Group on Transport EXTERNAL COSTS OF TRANSPORT IN CENTRAL AND EASTERN EUROPE. OECD does not include infrastructure costs. In order to be on a more conservative site with regard to the external costs, the infrastructure costs from Alpine regions (with more expensive infrastructure) serve as a reference (Swiss Federal Office for Statistics 'Strassenrechnung 2002').

PETS 1999 (project in the frame of the EU RTD framework programme): PRICING EUROPEAN TRANSPORT SYSTEMS Deliverable D10: Transalpine Freight Case Study – Executive Summary July 1999: Infrastructure costs according to Swiss Federal Office for Statistics 'Strassenrechnung 2002'.

Swiss heavy vehicle fee: Swiss Ministry of Environment, Transport, Energy and Communication: Fair and efficient: The distance-related Heavy Vehicle Fee in Switzerland, 2004 (external costs for vehicles above 3.5 tons in 1993) and Swiss Federal Office for Statistics 'Strassenrechnung 2002' (including infrastructure costs for vehicles above 3.5 tons in 1995).

UNITE 2000-2003 (project in the frame of EU RTD framework programme): Unification of accounts and marginal costs for Transport Efficiency, several deliverables.

Annex 2

Where are we in the decision making process?

On 23 July 2003, the European Commission presented a "Proposal for a Directive of the European Parliament and of the Council amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures".

The original proposal from the European Commission can be found at:

http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2003/com2003_0448en01.pdf

The European Parliament adopted at the meeting on 20 April 2004 its first reading position on the Eurovignette proposal.

The result of the first reading in the EP can be found on:

<http://www2.europarl.eu.int/omk/sipade2?PUBREF=-//EP//NONSGML+REPORT+A5-2004-0220+0+DOC+WORD+V0//EN&L=EN&LEVEL=2&NAV=S&LSTDOC=Y>

The Transport Council achieved a political agreement on 21 April 2005. The common position from the Council has been published on 6 September. From this time on, the European Parliament has three to four months for its second reading (time limit according to European Treaty. Thus it should be finished by the end of the year 2005. The vote in the TRAN committee is planned on Monday 14 November 2005 (extraordinary TRAN meeting in Strasbourg). The plenary will then decide in December.

The Council will then accept or not the second reading from the European Parliament. If it does not accept it, there will be at the end the conciliation between Council and EP, with the Commission playing a mediating role. This will take 6 to 8 weeks (time limit according to European Treaty). The UK presidency and the European Commission seem to have an interest in getting a compromise from between the EP and the Council without conciliation.

The end of the decision making procedure will be in spring 2006 at the latest.

Annex 3:

Supporting organisations:

These recommendations are supported by the following organisations

"Alliance Heavy Vehicle Charge for the Whole of Europe": International NGO active to support fair prices and more sustainability in the European transport policy. The work is based upon the International Petition "A kilometre tax for the whole of Europe" (nr. 656 / 1999) which was signed by more than 500 organisations, all together representing about 30 million citizens from all EU Member States, and even other countries like Switzerland.

Austrian Chamber of Labour: "The Austrian Federal Chamber of Labour (BAK) is an organisation mandated by public law to represent the interests of around 3 million employees and consumers."

Austria Railway Workers Trade Union (GdE): representing 96% of the 50,000 railway workers in Austria. GdE is member of the European Transport Workers Federation and closely involved in joint European policy making.

BUND: Friends of the Earth, Germany. The German branch of Friends of the Earth, Bund für Umwelt und Naturschutz Deutschland (BUND), was founded in 1975 as a federation of pre-existing regional groups. Today, the organisation is one of the most influential environmental organisations in Germany. BUND has 390,000 members and supporters. Members are active in some 2,200 local and regional groups, involved with everything from lobbying work to practical nature conservation.

CEE Bankwatch: The CEE Bankwatch Network is an international non-governmental organisation (NGO) with member organisations currently from 10 countries of CEE and CIS region. The basic aim of the network is to monitor activities of International Financial Institutions (IFIs) in the region, and to propose constructive alternatives to their policies and projects in the region.

ERFA: European Rail Freight Association is a European association of 15 railways companies from Great Britain, Belgium, The Netherlands, Germany, Italy, Austria and Poland. The main objective of ERFA is the growth of poor rail freight market share; it believes that intramodal competition is one of the tools to reach this objective and might be the last chance for rail freight transport.

ERFCP: European Rail Freight Customers Platform. The European Rail Freight Customers' Platform is an Association of companies and industrial groupings. Its members are important clients of rail freight services. They are conveying the major part of European rail freight.

EEB: European Environment Bureau. The EEB is a federation of more than 140 environmental citizens' organisations based in all EU Member States and most Accession Countries, as well as in a few neighbouring countries. These organisations range from local and national, to European and international. The aim of the EEB is to protect and improve the environment of Europe and to enable the citizens of Europe to play their part in achieving that goal.

EIA: European Intermodal Association. The European Intermodal Association (EIA) is an international independent platform founded in 1993, which is promoting sustainable intermodal mobility in Europe by combining innovative rail, waterway, road, air and maritime transport solutions.

EIM: EIM's role is to promote the interests of rail infrastructure managers by delivering an efficient contribution to the European debate on rail transport. The eleven current members are rail infrastructure managers coming from nine EU countries and one European Free Trade Association country. EIM members provide direct employment to over 55,000 people and their networks cover 93,000 km of lines, i.e. 50% of the EU25. In 2004, they transported 3.15 billion passengers (50% of the EU 25) and 350 million freight tonnes (30% of the EU 25).

ETF: European Transport Workers Federation

Friends of the Earth Europe. Friends of the Earth Europe campaigns for sustainable and just societies and for the protection of the environment, unites more than 30 national organisations with thousands of local groups and is part of the world's largest grassroots environmental network, Friends of the Earth International.

GDBA: Transport Trade Union organising 40'000 workers from the transport sector. Founded over 50 years ago as union of the German Railway Civil Servants and Trainees (GDBA) the GDBA has developed to a democratic union for traffic and transportation now called "Verkehrsgewerkschaft GDBA", open to all trade groups and fellow labourers groups. Collaborators from all domains feel themselves in good hands because their professional, social and economical interests are represented effectively by the Verkehrsgewerkschaft GDBA.

Pro-Rail alliance Germany: The Allianz pro Schiene e.V. (Pro-Rail Alliance) is a purely non-profit, independent umbrella organisation. It works nationally and is aligned European. Allianz pro Schiene was founded in the year 2000. Its approach is that making transport more sustainable is not possible without increasing market share of railways. For this, Allianz pro Schiene unifies in Germany all relevant social groups with an interest in environmentally and socially acceptable mobility as well as the companies of the railway sector.

T&E European Federation for Transport and Environment. T&E is Europe's principal environmental organisation campaigning specifically on transport. Members are drawn from NGOs in nearly every European country, all of whom promote a more environmentally sound approach to transport.

Transnet: TRANSNET is the German Transport Workers Trade Union with about 300'000 members within the German TUC (DGB). TRANSNET stands for Transport, Services and Networks. We organise personnel from railway and bus companies as well as from telecommunication companies