

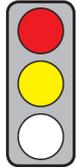
# HGV TOLL: INTERNALISATION OF EXTERNAL COSTS

Status: 29.08.08

## MAIN ISSUES

**Objectives of the Directive:** The Directive enables Member States to incorporate costs of air pollution, noise pollution and congestion caused by heavy goods vehicles (HGV) in tolls paid for the use of public roads. The aim is to make transport more sustainable.

**Groups Affected:** HGV transport operators, their customers and consumers.



**Pros:** The integration of external costs in pricing can generally improve the way the price system reflects scarcity.

**Cons:** (1) While a significant rise in prices will hit HGV traffic and the entire economy, chances are small that air and noise pollution or congestion will be reduced.

(2) Distortion of competition in relation to other modes of transport may be expected due to the exclusive charging of the road transport sector.

**Changes Required:** The Amendment Directive should be waived.

## CONTENT

### Title

**Proposal COM(2008) 436** of 8 July 2008 for a **Directive** of the European Parliament and the Council amending Directive 1999/62/EC **on the charging of heavy goods vehicles for the use of certain infrastructures**

### Abstract

The articles quoted refer to Directive 1999/62/EG to be amended ("Eurovignette Directive").

#### ► Objective of the Directive

- Road traffic generates costs that can be split into those directly borne by road users (so-called private/internal costs, e.g. costs of fuel use or of insurances) and those imposed on others and the public (so-called external costs, e.g. air pollution, noise pollution, loss of time due to congestion).
- The Amendment Directive is meant to authorise Member States to "internalise" external costs of road freight transport by levying individual tolls on road users.
- The Amendment Directive is part of a package of initiatives intended to make transport more sustainable ("Green Transport Package"). In its Communication COM(2008) 435 the Commission published the basic rules for including ("internalising") external costs in charges for the use of infrastructures (cf. [CEP-Kurzanalyse](#)).

#### ► Member State Options for Toll Collection

- Member States may impose tolls or user charges on heavy goods vehicles for the use of any roads on their territory. In so doing they have to comply with the conditions laid down in the Directive (amended Art. 7 (1)).
  - A toll is a payment for the use of a road; the amount of which is based on the distance travelled (amended Art. 2 (b)).
  - A user charge is a payment for the use of a road the amount of which is based on the given period a vehicle is authorised ("Vignette") to use a given infrastructure (amended Art. 2 (c)).
- Member States may not impose both tolls and user charges on any given category of vehicle. However, a Member State which imposes a user charge may also impose tolls for the use of bridges, tunnels and mountain passes (amended Art. 7 (2)).
- If a Member State chooses to impose tolls or user charges on heavy goods vehicles, all vehicles having a laden weight of more than 3.5 tonnes will be generally subject to fees or charges. However, for a period up to and including 31.12.2011, Member States may choose to apply tolls or user charges only to vehicles having a laden weight of at least 12 tonnes (new Art. 7 (5) and Art 2 (d)).
- If a Member State chooses to restrict tolls or user charges to vehicles of at least 12 tonnes beyond 01.01.2012, it has to prove that an extension to vehicles of less than 12 tonnes would create adverse effects on the free flow of traffic, on environment or health, or would raise administrative costs by more than 30% (new Art. 7 (5)).
- Member States are free to impose specific fees "on any urban road located in a built up area" to reduce traffic congestion or poor air quality (new Art. 9 (1) (a)). The Directive does not apply to these fees.

► **Basic Rules for Calculating User Charges**

- User charges have to be in proportion to the duration of the use made of the infrastructure and may not discriminate against occasional users. Therefore, daily, weekly, monthly and annual rates of time-based charges have to be available (new Art. 7a (1)).
- The maximum daily rate may not exceed EUR 11 (Annex II). The annual rate must be at least 80 times more, the monthly rate 13 times more and the weekly rate five times more than the daily rate (new Art. 7a (1)).

► **Basic Rules for Calculating Tolls**

- Tolls may include both infrastructure costs (construction costs, costs of operating, maintaining and developing the infrastructure network) and external costs (new Art. 7b (1) and (2)).
- Tolls for external costs have to be related to the costs of traffic-based air pollution and/or noise pollution. On road sections subject to congestion, they may also include the costs of congestion during the periods when these road sections are usually congested (new Art. 7b (2)). Moreover, they are to be varied according to the type of road and EURO emission class of vehicles, and also the time period of the use made of the infrastructure in cases where the charge includes the congestion or traffic-based noise pollution costs (new Art. 7c (1)).
- The amount of the external costs charge related to traffic-based noise and congestion pollution has to be set in accordance with the EU standardized calculation formulas adopted by the Member States. The costs of noise pollution are to be calculated on the basis of data provided by Germany exclusively. As for the calculation of air pollution costs, Member States may also apply their own methods (Art. 7c (2) in connection with Annex III A).
- Maximum rates for the internalisation of external costs will be introduced (Art. 7c (2); Annex III).
- If a Member State chooses to introduce a toll system, it has to send to the Commission information on the class of vehicles and road sections concerned, as well as the method according to which costs will be calculated. If external costs are included, the amount of the planned toll rate and the estimated revenues have to be notified. Within six months of receiving all information the Commission will decide whether or not the toll system complies with EU requirements. In the case of a toll system including external costs, it may demand an adaption of the proposed external cost charge (new Art. 7g).
- Member States may provide for discounts or reductions in the infrastructure charge (Art. 6 (2), new Art. 7 (4) and Art. 7h (2)). Reductions in charges based on external costs are not allowed (new Art. 7h (1)).
- Member States have to use the revenues generated by charges on external costs for measures supporting a sustainable environment, e.g. by reducing traffic-based pollution and developing alternative transport infrastructures (amended Art. 9 (2)).

► **Details on Levying Tolls**

- The amount of tolls based on external costs is to be set by an authority designated by the Member State for this purpose. The authority has to be legally and financially independent from the organisation in charge of collecting or managing the charges (new Art. 7c (3)).
- Tolls based on external costs have to be levied and collected by means of an electronic system and have to use either, or a combination of the following technologies: satellite positioning, mobile communication or microwave technology (new Art. 7i (4)).
- For a transitional period up to and including 31.12.2013, existing tolling systems that do not comply with these technical standards may be used (new Art. 7i (5)).

**Changes Compared to the Status Quo**

- Currently, tolls may internalise only infrastructure costs (Art. 7 (9)). According to the Directive, Proposal tolls may also incorporate external costs, which allows for a substantial rise in charges. During rush hours, congestions costs alone may be internalised at a charge of EUR 0.65 per kilometre, for instance.
- The existing Directive covers only charges for the use of trans-European roads (Art. 7 (1)). By contrast, the Proposal extends the application of charges to all roads.
- At present, any variation in tolls charged according to EURO emission classes, or certain time periods such as days, daytime and seasons when different use is made of the roads, is permitted only in order to avoid additional revenues (Art. 7 (10)). This restriction is not to be applied to tolls based on external costs.

**Statement on Subsidiarity**

Given the importance of transport for the internal market, its growing cross-border dimension and its increasing external costs, common charging principles have to be established in all Member States which impose charges for the use of roads, according to the Commission.

**Positions Taken by EU Organs**

European Commission

See content of this analysis.

Committee of the Regions

Open.

European Economic and Social Committee

Open.

European Parliament

Open.

Council – “Transport, Telecommunications and Energy”

Open. The Directive Proposal will be discussed on 01./02.09.2008 during an informal meeting of the Member States’ Ministers of Transport in La Rochelle/France and on 09.12.2008 in the Council.

**Status of Legislation**

08.07.08 Adoption by Commission

Open Adoption by European Parliament and Council, publication in the Official Journal of the European Union, entry into force

**Options for Influencing the Political Process**

Leading Directorate General:	DG Energy and Transport
Committees of the European Parliament:	Transport and Tourism (in charge), rapporteur (open); Environment, Public Health and Food Safety; Industry, Research and Energy.
Committees of the German Bundestag:	Affairs of the European Union (in charge); Finances; Environment, Nature Conservation and Nuclear Safety; Transport, Building and Urban Affairs; Economics and Technology
Decision Mode in the Council:	Qualified majority (approval by a majority of Member States and at least 255 out of 345 votes; Germany: 29 votes)

**Formalities**

Legal competence:	Article 71 TEC (Common Transport Policy)
Form of legislative competence:	Concurrent legislative competence
Legislative procedure:	Article 251 TEC (Codecision)

**ASSESSMENT**

**Economic Impact**

Ordoliberal Assessment

**Generally, attributing external costs to those users who cause such costs can be seen as a positive approach** [cf. [CEP-Kurzanalyse](#) of the Communication COM (2008) 435]. Charging tolls is basically a suitable method for accounting for costs for the use of roads, **although these sorts of costs cannot be measured objectively**. Last but not least, the conversion of air and noise pollution into money is always based on national, local and individual preferences. The fact that Member States are free to choose whether or not to internalise external costs by charging tolls is positive. However, **it is not comprehensible that the Commission plans to impose strict requirements on Member States in terms of charges, calculating methods and maximum rates** for chargeable infrastructure. A smooth functioning of the internal market – which allegedly is to be ensured by these requirements – can at best be affected by way of charges imposed on trans-European roads and the traffic shifting this generates.

It is somewhat questionable that the Commission relies only on German data as a basis for the calculation of external costs of noise pollution. It is highly alarming that costs thus calculated are legally binding in all Member States, since the Commission is in possession of values differentiated according to Member States. Many Member States have much lower noise pollution costs than Germany has, i.e. the costs to be internalised are too high.

**The exclusive charging of the road transport sector distorts competition** between the various traffic systems, even more so as road users are massively taxed anyway. If both tolls and taxes are levied randomly on road users, then unjustified and excessive financial burdens are to be expected. **Member States aiming for an internalisation of external costs by charging tolls should therefore remove existing tax burdens compensatory. However, it is fairly improbable that this will be done**, since by levying tolls along with taxes Member States will gain additional revenues.

### Impact on Efficiency and Individual Freedom of Choice

For many years now, high petrol prices and taxes on motor vehicle emissions have been serving as incentives for changing from HGV transport to more environmentally-friendly vehicles and an optimal utilisation of HGV capacities. Increased toll charges would hardly help increase efficiency as regards noise and air pollution. Neither can a substantial congestion reduction be expected, since scheduling HGV tours is usually a rather inflexible process due to delivery dates and warehouse charges. Above all, congestion costs are caused by all road users interacting on a given infrastructure. The internalisation of external costs is therefore efficient only if all road users are affected.

**Even the Commission expects only minor positive effects in the short-term from HGV toll charges for external costs**, as proven by its model-based impact assessment [SEC(2008) 2208, p. 50]. In order to avoid any inappropriate burdens, Member States should be at least entitled to partly include external costs into toll charges.

### Impact on Growth and Employment

Higher costs in the HGV transport sector lead to growth and job losses by passing them on to all sectors of the economy.

### Impact on Europe as a Business Location

The impacts on Europe as a business location are altogether marginal, although an increase in transport costs might lead to an increase in production costs. But increased transport costs are also incurred if goods produced outside EU Member States are imported into the EU and delivered to customers here.

## Legal Assessment

### Legal Competence

The impact of the Directive Proposal reaches beyond single Member States, because the Proposal is aimed at securing the free movement of goods and passengers. It pursues a “common transport policy” within the sense of Art. 70 TEC; the legal basis for EU competences in this field are laid down in Art. 71 TEC.

### Subsidiarity

If Member States were entitled to charge tolls for trans-European roads, this might lead to additional costs and restrictions on the free flow of traffic due to incompatible tolling systems. An EU-wide standardisation of the principles of tolls and user charges might be justified. This is not the case **for roads with no relevance to the trans-European traffic. There is no reason why tolling charges for these roads should be subject to a prior approval of the EU Commission** and why the according charges should be calculated on the basis of standardised formulas.

### Proportionality

**As** the redirecting effect of the toll will be relatively low due to a lack in alternatives for HGV transport and **as the negative impact outweighs positive effects** [SEC(2008) 2208, S. 50], **the Directive Proposal is not suitable** for achieving the regulation objective and is therefore **disproportionate**.

The mandatory earmarking of revenues gained from internalising external costs through tolls for a more sustainable traffic interferes with the fiscal competence of the Member States and infringes the principle of proportionality.

### Compatibility with EU Law

Any contradictions to other EU law are not obvious.

### Compatibility with German Law

The German highway toll act (*Autobahnmautgesetz, ABMG*), the toll amount regulation (*Mauthöheverordnung, MauthöheV*) as well as the HGV toll regulation (*LKW-Maut-Verordnung, LKW-MautV*) would have to be adjusted. Presently a maximum amount of 0.155 €/km applies (§ 2 (2) *MauthöheV*).

## Alternative Policy Options

An EU-wide regulation of charges for roads of no trans-European relevance should be waived.

## Possible Future EU Actions

It is possible to internalise further external costs (e.g. for accidents and loss of biodiversity).

## Conclusion

Petrol prices and taxes already provide strong incentives to increase efficiency which can hardly be heightened by additional tolls. Congestion costs are not only caused by HGVs and are often inevitable. A significant increase in HGV toll charges without taxes being cut compensatory would merely lead to a levy effect. At the same time, distortion of competition in relation to other forms of transport can be expected if only HGV transport is charged. The extension of EU-wide rules for tolls and road user charges on roads of no trans-European relevance constitutes an infringement of the principle of subsidiarity. The Directive Proposal should be waived.