



Briefing on the Eurovignette Directive and Proposed Amendment

Including Note of T&E¹ Workshop of 28 November 2003

Background: the Existing Eurovignette Directive

The existing Eurovignette Directive (Directive 1999/62/EC) governs the application of tolls and charges on commercial vehicles using EU roads. It is considered necessary to have such a framework at the EU level in order to ensure that Member States do not introduce tolls or charges that discriminate against foreign hauliers or adversely affect the functioning of the internal single market. Directive 1999/96 sets the conditions for the maintenance and introduction of tolls or charges and the maximum levels, which these must not exceed, as well as the minimum rates of vehicle taxation that should be applied. In parallel, a proposed Directive on the interoperability of road user charging systems is being developed.

In addition, another Directive (2003/96/EC) will, from 1 January 2004, set minimum duty rates for fuels in the transport sector, as well as for other energy products². The latter, however, are very low thresholds by UK standards, so will have little or no direct effect on fuel duty in the UK. The Directive does, however, empower Member States to give rebates to road hauliers in the event of a road charging system being introduced.

Need for a Revision of the Eurovignette Directive

In recent years, particularly as many Member States have been contemplating the introduction of some form of more comprehensive road user charging, it has been realised that a more sophisticated and flexible framework was required at the European level. The Eurovignette Directive is currently seen to be restrictive, as it only allows for tolls or charges to be applied on motorways or specific infrastructure, eg a tunnel or a bridge, and on vehicles weighing over 12 tonnes. Also it is essentially a flat rate charge, which can only very approximately reflect the level of use of the infrastructure. Further, it only allows the charges to cover the costs associated with the infrastructure, ie the costs of investment and damage, but not environmental costs or other externalities.

Three Member States – Germany, Austria and the UK – are in the process of developing comprehensive infrastructure charging schemes for commercial vehicles in the hope that these will replicate the achievements of the scheme that is in operation in non-EU Member State Switzerland. For example, the UK would like to introduce a charging scheme that would apply to

¹ T&E is the European Federation for Transport and Environment, an NGO representing national transport and environment NGOs at the EU level

² This Directive replaces two 1992 Directives, known as the Mineral Oils Directives, which previously set minimum rates of duty for motor fuels, but not for other energy products.

all commercial vehicles over 3.5 tonnes using the entire national road network, and for these charges to cover environmental costs, as well as the costs of the infrastructure. This would not be allowed under the current Directive. Originally, it was expected that a new and broad framework for infrastructure charging would be proposed which would cover all these issues. However, the development of such a proposal proved controversial and, in recent months, it emerged that the Commission was simply planning to amend the existing Eurovignette Directive. The proposal that was eventually published does address some of the broader concerns, but notably fails to address others.

Proposed Amendments to Eurovignette Directive

The European Commission finally published its proposal to set the EU framework for road user charging in the guise of an amendment to the Eurovignette Directive on 23 July (COM(2003)488). Its principal points are:

- Member States would be allowed to introduce road user charges on:
 - Principal roads, as defined by the trans-European transport network;
 - Roads parallel to these onto which traffic might be diverted, as a result (as long as specific proposals are approved by the Commission); and
 - Other roads, as long as the scheme was in compliance with the Treaty.
- Member States would be allowed to apply charges to all commercial vehicles over 3.5 tonnes.
- If a Member State applied road user charging, it would be allowed to reduce vehicle taxes to levels below the otherwise minimum levels set out in the Annex to the Directive.
- Charges would be allowed to cover the ‘uncovered costs of accidents’, ie those which are not covered by insurance, but not environmental costs.
- All revenue from any charging scheme must be used for infrastructure maintenance or ‘for the benefit of the transport sector as a whole’.
- For infrastructure in ‘particularly sensitive regions’, charges can be increased by 25 per cent, as long as the revenue funds alternative infrastructure in the same corridor or area.
- Member States would be required to nominate a national independent infrastructure supervision authority.

Issues raised at a recent T&E Workshop

These proposals raise a number of serious concerns, which have been discussed, *inter alia*, at a workshop organised by the European Federation for Transport and Environment (T&E) in Brussels on 28 November 2003.

1. Coverage of the road network

While the proposed amendment could, in theory, allow Member States to apply road user charging to their entire road network, the wording as it currently stands was considered to be unnecessarily complicated and is in need of simplification.

Likely way forward:

T&E called for there to be no restriction on which parts of the road network Member States could apply road user charging. The general consensus was that this part of the proposal needed simplifying.

2. Road user charges and external costs

- **Accident costs** – The inclusion of accident costs on the list of costs that can be covered by the charge is justifiable, as accident costs are a significant proportion of transport's external costs.
- **Environmental costs** – Conversely, the exclusion of environmental costs cannot be justified, as these are also significant. The representative of the Commission argued that environmental costs could be taken into account implicitly, as the charge could be varied depending on the environmental sensitivity, population density and the emissions of the vehicle. In fact however this creates a double inconsistency; the charges cannot include environmental costs, but can be varied according to environmental criteria. It was also argued that the Commission's approach was methodologically inconsistent, as, for example, the cost of noise barriers could be covered by a charge, but not other noise costs.
- **Mark-ups** – There was concern that the restrictions on the mark-ups for sensitive areas (ie up to 25 per cent) and congested areas (up to 100 per cent of the minimum rate) may be insufficient to cover actual external costs, as some costs, particularly congestion costs in urban areas, are very variable.

Likely way forward:

T&E called for Member States to be given the maximum flexibility with respect to what they could include in their road user charges. This could be to charge according to full costs, social marginal costs, or simply to cover environmental costs. This was also supported by many other people present and it appears that this is a likely change required for the amendment to be accepted.

3. Earmarking of revenues

It was widely considered that the requirement that the revenue from road user charging should be earmarked could not remain in the proposal, for a number of reasons:

- On one level, it is illogical and counter to the theory of external cost pricing to require the part of any charge levied to cover accident costs to contribute towards expanding the infrastructure, which gave rise to the cost in the first place.
- In Sweden, the earmarking of taxes in the way proposed is illegal, as it is not allowed under the constitution.
- Politically, some Member States, including the UK, Spain and Ireland, are virulently opposed to the idea of being told how to spend their revenue from taxes or charges, and would therefore be unlikely to agree to this aspect of the proposal on principle.

Likely way forward:

T&E proposed that the clause requiring earmarking of revenues would have to be deleted for the proposal to be agreed. This appeared to be the general consensus.

4. Sensitive areas

The clause allowing a 25 per cent mark-up on charges for the use of infrastructure in sensitive areas is taken to refer to the Alps and the Pyrenees. In particular, a more sophisticated European

framework for road user charging is being sought by the Austrian government to replace its eco-points system, which aims to reduce the environmental impact of commercial transit traffic on the country's fragile Alpine environment, but is very unpopular with neighbouring states. There were discussions on whether or not the areas to which this clause should apply should be listed in an Annex to the Directive, or whether the choice should simply be left to Member States.

Likely way forward:

There was not too much support for the inclusion of a list of sensitive areas to be included in the Directive. One option proposed was for the proposal to explicitly name the Alps and the Pyrenees, or it may simply be left to Member States.

5. *Choice of technology*

The choice of technology in the parallel Directive on the interoperability of road user charging technology was also discussed. The Commission's proposal opts for a GPS system, which is the preferred technology for the German system. However, the implementation of the German system is currently on hold as a result of problems with this technology. The Swiss and proposed Austrian systems, however, use microwave technology, which has been proven to work, but would not be allowed by the Commission's proposal. The latter also appears to be the favoured technology for the UK system. Some saw this as the Commission's way of encouraging the use of its Galileo system. The German MEP rapporteur of the proposal felt that it was difficult for her to argue for the, as yet unproven, technology favoured in Germany, as opposed to the proven technology in use in Switzerland.

However, it was argued that the discussions about interoperability should not hold up the debate on the amendment of the Eurovignette Directive, as the technical issues surrounding the interoperability of road user charging systems issues are solvable.

Likely way forward:

Parliament has already been in discussion with the Member States and the likely compromise is that the two systems will be allowed in parallel, as long as they are interoperable, which is apparently technically possible.

6. *Infrastructure Supervision Authority*

There was not much discussion of this, but T&E called on this clause to be deleted.

Likely way forward:

It would not be a surprise if this clause were dropped from the final agreement, as it is unlikely to be supported by some Member States.

7. *Link between Proposed Eurovignette Amendment and Directive Setting Minimum Duty Rates*

An anomaly between the proposed Eurovignette amendment and the recently agreed Directive setting minimum duty rates was identified. Currently the latter will not generally allow Member States to reduce fuel duties to levels below those in place on 1 January 2003, unless they have

introduced a system of road user charging for commercial vehicles. In this instance rates for diesel used in commercial vehicles may be lowered to below 2003 levels. However, the Directive defines commercial vehicles as those weighing over 7.5 tonnes, whereas a road user charging system could apply to all vehicles over 3.5 tonnes. There were concerns that these different definitions could potentially penalise goods vehicles weighing between 3.5 and 7.5 tonnes leading to inappropriate responses in the transport of goods, eg inappropriate vehicles being used to transport some loads.

Likely way forward:

T&E identified three options:

- i) Permit diesel tax reductions for vehicles of 3.5 to 7.5 tonnes. This would need an amendment to the recently agreed energy tax Directive, which is unlikely in the short-term, given the controversy with its development (there is always a danger in seeking to introduce even a seemingly-innocuous technical amendment to a Directive, in that it can open the way for the entire agreement to come unravelling). However, by the time that the various road user charging systems are implemented, then such an amendment might be politically possible.
- ii) Introduce specific arrangements for goods vehicles weighing between 3.5 and 7.5 tonnes in the proposed Eurovignette amendment.
- iii) Allow road user charging to be introduced for all (private and commercial) vehicles. This is politically very unlikely at present.

Likely way forward:

This was raised towards the end of the workshop and appears to be an issue not yet considered by policy-makers, so the way forward is unclear.

Other Interesting Points

The workshop was presented with the results of the Swiss road user charging system, which applies to all commercial vehicles over 3.5 tonnes and to their use on the entire national road network. The following points were noted:

- Changes in fleet composition – In the year prior to the introduction of the charge, sales of new commercial vehicles increased significantly, as cleaner vehicles benefit from reduced charges.
- Size of vehicles – The average size of commercial vehicles on the roads has decreased, as efficiency gains have been realised.
- Traffic levels – Levels of commercial traffic on the whole network declined by 5 per cent in the first year of the charge's operation, compared to a rise of 7 per cent in the previous year. This change was not due to broader economic conditions, but occurred as a result of the introduction of the charge, which is performance-related, replacing the previous flat rate fee.
- Transit traffic – This stabilised in the first year of the scheme's operation (ie 2001), which was a change from the previous increasing trend. In 2002, the amount of

transit traffic declined, however, this was probably principally a result of the St Godthardt accident.

- Impact on rail – No significant increase in rail use for commercial goods has been noted, although some companies have made decisions to make more use of the rail network for the transport of goods; the reductions on the roads have been achieved by efficiency gains rather than modal shift. However, the charge has raised money to develop the rail network, which should encourage modal shift in the future.

More generally, it was also noted that a study in Austria suggested that enforcement of existing legislation on road haulage could increase the costs of the industry by between 20 and 50 per cent, which could also result in a reduction of freight traffic on the roads. It was suggested that this view was supported by data from Sweden where a study on a particular section of road estimated that 93 per cent of lorries were overloaded.

Next Steps

The aim appears to be to attempt to reach an agreement on both Directives – the one on interoperability and the Eurovignette amendment – before the session of the European Parliament ends next April. Otherwise, an agreement would have to wait until after the European Parliamentary elections and could not realistically happen until towards the end of 2004. Even this might be optimistic, as the new Parliament, which would consist of representatives from the 10 new Member States for the first time, may take a different approach on the proposals than the existing Parliament.

The Parliament and Council appear to have opened up a dialogue on both the interoperability proposal and on the Eurovignette amendment. Progress has been made on the first, which is relatively uncontroversial, and an agreement is expected between the institutions, so that the Directive can be approved at its first reading (up to three readings can sometimes be necessary). Reaching an agreement on the amendment to the Eurovignette Directive is likely to be more difficult as a result of the range of issues involved. However, the objectives of many Member State governments (including the UK), NGOs and the Parliament appear to be reasonably similar, so the necessary amendments might be obtained, but it will be a race against time. The hope is that a final agreement could be reached at the Transport Council in March 2004. The Commission, of course, could always withdraw either proposal, but this would be politically difficult if there was broad agreement on an amended version.

Ian Skinner, December 2003