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Road charging: Heavy lorries to pay for costs of air and noise pollution

Member States look set to be able to charge heavy lorries, not only for the costs of infrastructure which is currently the case, but also to levy an additional charge to cover the costs of air and noise pollution, following a vote in the European Parliament today (Tues 7 June 2011). The new rules which revise the current "Eurovignette Directive" will also give Member States better tools to manage problems of congestion, with a new flexibility to vary the charge for heavy lorries (by up to 175%) at different times of the day. Importantly the new rules provide strong incentives to Member States for "earmarking" revenues i.e. to set aside new charging revenues for investment in sustainable transport infrastructure (TEN-T) projects.

Siim Kallas, Vice-President of the European Commission responsible for Transport, said: "These new EU rules will send the right price signals to operators so they will invest more in efficient logistics, less polluting vehicles and more sustainable transport at large. They also give Member States new tools to fight congestion with possibilities to vary charges at different times of the day to get heavy lorries off the roads at peak periods. This is a very important step in the right direction- towards creating a fair financial environment where prices across different transport modes reflect the real costs to society and the taxpayer."

The "Eurovignette" Directive - Frequently asked questions:

What is the Directive on charging heavy goods vehicles that the Commission proposed to revise?

The Eurovignette Directive on charging heavy goods vehicles for the use of infrastructure was originally adopted in 1999. It provides a framework for the levying of road charges on heavy goods vehicles for using roads that are part of the trans-European network. The Directive authorises, but does not oblige, Member States to levy 'user charges' (time-based charges, e.g. per day, per week, per year) or tolls (distance-based charges e.g. per kilometre) on lorries above 3.5 tonnes - small lorries - provided that it does not result in any discrimination and that the charges are set at a level which does not exceed the recovery of costs of which are strictly necessary to maintain and replace the road infrastructure. The original aim of the Directive was to preserve the smooth functioning of the internal market – preventing any abusive and discriminatory charging by Member States (e.g. Member States imposing higher charges on lorries from other Member States). Eleven Member States are currently applying tolls (Austria, France, Germany, the Czech Republic, Slovakia, Slovenia, Spain, Italy, Portugal, Greece and Ireland) and 10 apply user charges (Belgium, the Netherlands, Sweden, Luxembourg, Denmark, Poland, Hungary, Romania, Bulgaria, Lithuania) out of which three have already announced that they will shift to tolls very soon (Hungary, Poland, Belgium).

What is the problem with the current Directive?

The current Eurovignette Directive allows Member States to set tolls at levels required to maintain and replace infrastructure. It prohibits the recovery of other costs, e.g. the so-called external costs such as air pollution and noise costs. These are costs that road users generate but do not pay for although they must be borne by society at large and therefore tax payers. In 2008 the Commission prepared a strategy called the "Greening Transport Package" to extend the "user pays" principle to the polluter pays principle i.e. to allow for the internalisation of the external costs across all modes of transport - and ensure what economists call fair and efficient pricing. Included in that package was a proposal to revise the Eurovignette Directive to allow for the inclusion of air and noise pollution costs in the calculation of tolls. By giving clearer price signals to road users, they will change and adapt their travel behaviour by better planning their transport operations, choosing to drive less polluting vehicles and avoiding driving on congested roads sections during peak periods. The current Directive specifically prevents the inclusion of external costs in the toll rates and that is why it needs to be updated and revised.

What are the main changes proposed and how would they solve the problem?

The new rules will:

- Allow Member States to calculate tolls based not only on infrastructure costs but also the **cost of traffic-based air pollution and noise**. The external cost charge would represent 3-4 ct/km depending on the Euro class of the vehicle, the location of the roads and the level of congestion. The charge will have to be collected by the electronic systems foreseen to be fully interoperable at EU level by 2012 and a receipt clearly stating the amount of the external cost charge will be given to the hauliers so that they can pass on the cost to their clients.
- Allow a wider differentiation of toll rates at constant revenue so Member States can better manage traffic and reduce **congestion**. In practice, higher tariffs can be applied during peak periods provided that lower tariffs are applied during off-peak periods. The compromise ensures revenue neutrality and allows in congested areas higher tariffs of up to 175% above the average tariff, with top tariffs collected during a maximum of five peak hours per day and lower tariffs applying during the rest of the time on the same road section. The tariffs will be notified to the Commission which will then publish them regularly on its web site.
- Extend the scope of the EU "Eurovignette Directive" so that not only the TEN-T
- network (as is currently the case) but also **all motorways** across Europe are included and thus bound to respect the rules of the Directive to calculate toll rates and avoid discrimination.

- **Earmark revenues from tolls for investments to improve transport sustainability.** The compromise text provides a strong incentive to Member States to use revenue from new charges to invest in certain type of projects in order to improve infrastructure or make transport cleaner. Examples of such types of projects defined in the Directive include alternative infrastructure, innovative clean transport systems or safe parking areas. To apply this provision on earmarking, Member States can also decide to earmark 15% of the total revenue collected (from both infrastructure charges and external cost charges) to projects on the trans-European network. There is also a proper transparency and reporting back obligation as Member States will have to report regularly on how the total revenues of tolls are used.
- There is special provision made for **mountain areas** to allow the simultaneous application of the existing mark-up and the new external cost charges for Euro 0, I and II vehicles and for Euro III vehicles as from 2015. The extra revenues will have to be spent on financing TEN-T priority projects situated on the same TEN-corridor (compulsory "miniearmarking").
- The agreement includes a "**rendez-vous clause**" so the issue of internalisation of external costs is kept constantly under review. This "rendez vous" clause calls on the Commission to produce reports on the further internalisation of external costs, including in other transport modes, for other vehicles and to ensure a more harmonised approach. The reports are due respectively 12 and 48 months after the entry into force of the Directive. The Directive also calls on the Commission to make a new legislative proposal on the basis of these reports.
- The Directive would apply to **all vehicles above 3.5 tonnes**. This is important as it ensures that, a Member State cannot discriminate and decide to charge certain vehicles over 3.5 tonnes and not others. However the Directive gives Member States the possibility to decide to exempt vehicles below 12 tonnes, for example, if imposing a toll on these vehicles creates adverse traffic diversion or disproportional administrative costs. Any such exemption must be notified to the Commission and justified in a transparent way.

What happens next?

After the vote in the Parliament, the text must be formally adopted by the Council before the Summer. After that Member States will have two years to transpose it in their national law before it comes into force.

BACKGROUND

How and where are tolls levied in practice?

About 30,000 km of motorways are current tolled in Europe. About half of these are in the TEN-T network and therefore fall under the scope of the Eurovignette Directive. Under the revised Directive, which extends the scope of the old Directive, all motorways will be covered. This is a substantial increase with all of Europe's 30,000 km of tolled motorway covered by the new Directive, instead of only 15,000 km under the old one.

Currently, existing toll rates vary typically between 15 and 25 cent per kilometre depending on the type of lorry and the network. The new Directive would de facto authorise an increase of toll rates, if Member States decide to do so, of around 20-30%.

Tolls are currently collected either at tollbooths where the lorries have to stop or through electronic means via "on board units" that transmit data from the vehicles to special receivers on the road. A separate Directive, Directive 2004/52/EC on electronic toll services, ensures the technical and contractual interoperability at EU level of such electronic toll systems as from the end of 2012 (for heavy good vehicles).

How would the new charges for external costs be calculated?

The Directive provides that chargeable external costs of transports must be calculated according to well established and common scientific methods. The study IMPACT gives a good overview of these methods.¹ In a nutshell the cost of air or noise pollution generated by a vehicle is the quantity of pollution emitted (grams of pollutants or decibels) multiplied by the monetary costs of the effects of this pollution on human health. The latter are estimated on the basis of epidemiologic studies, of actual public expenditure and economic survey of the willingness to pay.

What is the Eurovignette?

This piece of legislation is often known by stakeholders as the Eurovignette Directive. But Eurovignette is in fact the name of a time-based road user charging scheme that is jointly operated by Belgium, Denmark, Luxemburg, the Netherlands and Sweden. The Eurovignette was also the name of the sticker (or vignette) that the users of this scheme had to attach to the windscreens of their vehicles. However, since the beginning of 2008 the Eurovignette is an electronic system and physical vignettes are no longer printed. There are other Member States that operate their own national vignette systems.

What rules apply outside the trans-European network and motorways?

It is important to remember that Member States can of course also introduce road charges on roads that are outside the scope of this Directive. In that case it is for individual Member States to decide what level of charge they introduce.

It is only when road charges are introduced for lorries on roads that are within the scope of this Directive that the rules of the Directive have to be followed.

Urban areas in particular are outside the scope of the Directive due to the subsidiarity principle. Therefore urban congestion charging schemes such as those implemented in London and Stockholm are not covered by the Directive. For all the roads not covered by the Directive, General Treaty principles including proportionality and non discrimination still have to be observed.

History of the Directive on charging heavy goods vehicles

1993: Adoption of Council Directive 93/89/EEC to set a minimum annual tax level, cap the user charges and authorise tolls based on infrastructure costs. The Directive was then annulled in 1995 by the Court of Justice at the request of the European Parliament who was wrongly excluded from the decision making process.

1999: Adoption of Directive 1999/62/EC, this time adopted in co-decision by the European Parliament and the Council, and repeating to a large extent the substance of the previous Directive. The Directive confirms the "user pay principle" as a one of the guiding principle of the transport policy.

¹ (see http://ec.europa.eu/transport/sustainable/doc/2008_costs_handbook.pdf).

2006: Adoption of Directive 2006/38/EC amending Directive 1999/62/EC in order to allow toll variation and to allow a mark-up added on tolls in exceptional cases to finance trans-European network projects in mountain areas. The mark-up is currently used to co-finance the construction of the Brenner rail basis tunnel.

2008: Within a wider "Greening Transport Package" adopted in July 2008, the Commission proposed to extend the user pays principle to the polluter pays principle. A proposal is adopted to allow the inclusion of air and noise pollution costs in the calculation of tolls (proposal to revise the Eurovignette Directive).