ERF Position Paper

on the European Commission's Public Consultation on the Charging for the use of road infrastructure

About the Authors

The European Union Road Federation (ERF) is a non-profit European association representing public and private entities linked to road infrastructure. It acts as a European platform for dialogue, expressing the road sector's ideas and opinions on mobility issues and promotes research into viable, efficient and sustainable transport.

Background

Road transport is a crucial economic activity which can be described as the backbone of the European economy. According to the European Transport Research Advisory Council, 'road transport related industries provide employment to more than 14 million people in Europe and directly contribute 11% to the European gross national product. It has a major impact on our daily lives, as it is one of the primary means of access to employment, services, and social activities.[1] Moreover, according to a research study of the World Bank, there is an indisputable link between road infrastructure and economic development, with the average stock of paved roads per million inhabitants in high income economies exceeding that of low income countries with a factor of 59:1.[2] In this sense, one could argue that preserving a safe and sustainable road network is a sine qua non for the continued prosperity of Europe's economy and the mobility of its citizens.

Despite the obvious socio-economic benefits of road transport, investment in road infrastructure has steadily declined since the 1970's. According to the OECD's International Transport Forum (ITF)[3], overall investment in transport infrastructure has consistently fallen from a peak of 1,5 % of GDP in 1975 to around 0,8 % in 2000, where it remained stable until the financial crisis. While consolidated data after that is not available, it can reasonable be assumed that road budgets have been further reduced as governments try to balance their books.

This chronic lack of investment and maintenance is leading to a gradual and soon to be irreversible loss of an asset that has been built at great expense in Europe over the last 40 years. Simply quoting the figures present in the background document to the consultation, this implies up to 20% higher maintenance costs in the long-term.

In this context, the European Union Road Federation welcomes the European Commission's initiative to launch a consultation on road pricing. The following document outlines what the ERF considers should be the main axis of any future EC proposal on road pricing.

[1] ERTRAC, http://www.ertrac.org/?m=10

[2] Road Infrastructure and Economic Development: some diagnostic indicators, Cesar Queiroz and Surhid Gautam, World Bank, http://lnweb90.worldbank.org/ECA/Transport.nsf/0/A40A9255CAE5A19A85256E84004B4AAE/$file/WPS921RdInfraEconDevelopment.pdf

[3] Statistics Brief Infrastructure Investment, July 2011http://www.internationaltransportforum.org/statistics/StatBrief/2011-07.pdf

1. Earmarking of the revenues

i) Motorways / secondary network / rural roads

Europe has about 5,5 million km of road and it is imperative that this network is not left to decay due to chronic under financing.

To date, the 'pay-per-use' principle has been applied successfully on motorways and demonstrates that users are willing to pay as long as they receive a high quality service in return.

In the opinion of the ERF, any future road pricing scheme that encompasses the motorways and the vast secondary and rural network **must ensure that the revenues collected are channelled exclusively back into the road sector**.

More specifically, ERF would support a policy which channels the revenue back into the source of the charge. In practical terms, this would imply:

- Charges related to the use of the infrastructure should go to road maintenance and upgrading of certain stretches either for reasons of safety or traffic flow

- Charges related to noise and pollution must be diverted into measures that can alleviate the source of the externality, i.e. by proving incentives for more environmentally friendly (quieter and low emission) vehicles or infrastructure solutions (noise reducing devices and better interaction between the vehicle and the tyre).

ii) Urban areas

Cities today are experiencing major problems due to increasing congestion rates which can mostly be attributed to the lack of attractive alternatives for many users.

In order to ensure a better quality of life for the millions of citizens living in cities, it is imperative the policymakers improve the accessibility and availability of public or private transport alternatives in order to reduce congestion.

Thus, in this context, the ERF would support a European legal framework including the following measures:

- The possibility of congestion charge provided that the revenue is dedicated exclusively to promoting a better inter-modality in cities. This would imply on the one hand, a better availability of urban public transport within cities (metro, bus, tram) and encouraging private travel of P2W and bicycles, and on the other, offering publicly available free and secure parking places for private vehicles on the cities' outer peripheries that are well connected to the city centre. Decision-making about congestion charging in urban areas should of course respect subsidiarity and be tailored to the specific needs of each city.

- The deployment of ITS traffic management technologies within the city centre to ensure a smoother traffic flow during peak hours.

2. Revenue Neutrality of the Pricing Schemes

Through a variety of taxes and charges, the road sector already contributes handsomely to state coffers. According to the European Association of Automobile Manufacturers, the fiscal income generated from motor vehicles in fourteen EU members states amounted to 414,3 bn in 2009.[4]

At the same time, Europe's economy is in desperate need of growth. Thus, policymakers must ensure that any future road pricing scheme does not further burden consumers, logistics and road related industries given that the road sector is an important economic pillar that is already heavily taxed and experiencing significant challenges linked to the economic crisis.

In this context, the ERF believes that any future road pricing scheme must be **revenue neutral**, entailing the elimination of various flat taxes (registration tax, circulation tax etc.) to counterbalance the charges linked to the **use** of the road.

3. A fair definition of externalities

An externality is a cost or benefit that is not transmitted through prices.

Unfortunately, policymakers to date have focussed exclusively on the negative externalities of roads. What is perhaps the most disconcerting is that the number of items considered as externalities has been rising in recent years, implying potentially a huge cost to the road transport sector.

In this sense, the ERF calls on the European Commission to adopt a fair definition of externalities which acknowledges that:

- **Road transport also has positive externalities**. According to the WHO, heart attacks are the biggest single cause of deaths worldwide, responsible for 12,8% of total yearly deaths.[5] It is scientifically proven that the probability of death is a linear function of the time that elapses between the occurrence of the attack and the arrival of an ambulance with a defibrillator. By providing emergency services with the ability to respond to such incidents in a rapid manner, roads in effect save many lives and provide a positive externality to society. Should a comprehensive road network not have existed, the fatalities from such incidents would be much higher.
- **Noise** and **pollution** are indeed externalities that need to be addressed. One here should note that the road sector has already been working on measures to reduce the burden of these externalities successfully and will continue to do so.
- **CO2** should not be considered an externality as it is already internalised through the very high excise duties at Member State level.
- **Road accidents,** although a human tragedy with a serious socio-economic impact, should not be seen as an externality as the costs are mainly borne by the people involved in them.

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[4] European Road Statistics 2011, Table 8.5. The EU countries are: Austria, Belgium, Denmark, Germany, Spain, France, Greece, Ireland, Italy, the Netherlands, Portugal, Finland, Sweden, United Kingdm.
[5] WHO, http://www.who.int/mediacentre/factsheets/fs310/en/index.html

In addition to the coordinated efforts being made both by the industry and public authorities to limit the consequence of crashes, ERF believes that vehicle insurance remains the best way of dealing with this serious phenomenon.

- **Congestion** should also not be treated as an externality as its costs in terms of delays mainly affect the drivers themselves and moreover, the additional pollution generated through traffic jams is already internalised.

  Instead, congestion should be best treated either through: a congestion tax that is earmarked for investments in transport infrastructure (please see section on urban areas above) and/or through a variation of charge during peak hours as recently adopted in the Eurovignette.

Moreover, one must not forget that internalisation of external costs by charges is not the only option for reducing the external effects of road transport. Standards and restrictions (e.g. emission standards) are further instruments, which have been used successfully in the past and which should be considered where appropriate.

4. Proportionality of the charges

The ERF encourages the European Commission to seriously consider the socio-economic consequences of road pricing charges and, in its proposals, to duly take into account the principle of proportionality.

The ERF considers the Pay-As-You-Drive principle (PAYD) the fairest way of charging for the use of the road. Any shift towards PAYD has to take into account existing fiscal burden to road users by taxes, the availability of charging technologies and overall costs of running PAYD.

Given the technological constraints of adopting a nationwide PAYD scheme for private vehicles, time-based vignettes are likely to be chosen by authorities in the short term. In this case, it is important to avoid unfair practices which penalise occasional users by charging disproportionate high amounts for short time periods compared to the annual vignettes.

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