



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 10.07.1996
COM(96) 331 final

96/0182 (SYN)

Proposal for a
COUNCIL DIRECTIVE

on the charging of heavy goods vehicles for the use of
certain infrastructures

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. INTRODUCTION

- 1.1. This proposal is for a Council Directive to replace Directive 93/89/EEC which was annulled by the European Court of Justice on 5 July 1995 on grounds of procedural irregularities. To avoid a legal vacuum, the effects of the Directive were to be maintained until the Council had adopted new legislation.
- 1.2. In addition, Article 7(f) of the Directive requires that on 1 January 1997 the maximum rate of user charges set in that Article shall be reviewed and the Council shall make the necessary adjustments.
- 1.3. To fulfil these legal obligations, the Commission is now bringing forward this proposal. In so doing, it is taking the opportunity to propose a further step in developing Community policy on fair and efficient pricing in transport.

2. THE BACKGROUND TO THE PROPOSAL

2.1. The legal background

- 2.1.1. The realization of the importance of vehicle taxation for the road transport market in the Community dates back many years. Already in the 1960s a large scale investigation took place of the various aspects of charging for the use of infrastructure and in 1968 the Commission made a proposal on a taxation system for commercial vehicles. In June 1978 the Council agreed in principle to the draft Directive but it was never formally adopted.
- 2.1.2. In January 1988 a new proposal on the charging of road infrastructure costs to heavy goods vehicles¹ was put forward, in which the principle of territoriality was introduced. This proposal was modified by the Commission proposal of February 1991 and September 1992² and was finally adopted as Directive 93/89/EEC³. The objective of the Directive was to contribute towards the elimination of distortions of competition between transport undertakings in the Member States by harmonising levy systems and establishing fair mechanisms for charging infrastructure costs to hauliers. The text which was adopted in October 1993 set, for goods vehicles over 12 tonnes throughout the Community, minimum levels of vehicle taxes, the conditions under which Member States could introduce "road user charges" for the use of their primary roads, maximum levels of user charges and restricted toll levels to the coverage of infrastructure costs.
- 2.1.3. In October 1992 Council Directive 92/82/EEC⁴ on the approximation of the rates of excise duties on mineral oils set minimum levels for diesel fuel. This is the fuel used by virtually all heavy goods vehicles in the Community.

¹ COM(87) 716 final; OJ No C 79, 26.3.1988, p. 8.

² COM(90) 540 final; OJ No C 75, 20.3.1991, and COM(92) 405 final.

³ OJ No L 279, 12.11.1993, p. 32.

⁴ OJ No L 316, 31.10.1992, p. 19.

- 2.1.4. Further to these legal acts the Commission has published: in 1992, the White Paper on the future development of the common transport policy⁵, and in 1995, the Green Paper "Towards Fair and Efficient Pricing in Transport"⁶ and a report reviewing the minimum rates of excise duty⁷.
- 2.1.5. The White Paper on the future development of the common transport policy acknowledged that there was an urgent need to adopt a more comprehensive transport strategy. It argued that there was a growing realization that the road transport sector was showing unsustainable trends with increasing levels of pollution and congestion, and suggested that pricing instruments would need to be used more intensively than before, as part of an overall transport strategy, to influence this sector.
- 2.1.6. In its Green Paper "Towards Fair and Efficient Pricing in Transport", the Commission developed further these ideas. This wide ranging discussion document sought to stimulate debate on ways in which fair and efficient pricing can contribute towards redressing the unsustainable trends of transport in the European Community and on how external costs might be internalized, particularly for road transport. The paper recognized that there was widespread acceptance of the problem of the external costs of transport and need for action, but that it was less clear how these costs should be taken into account.
- 2.1.7. In its report reviewing the minimum rates of excise duty, the Commission recognized that national rates on motor fuels are generally significantly higher than the minimum rates and that the latter need to be increased meaningfully if they are to fulfil their purpose of assisting in the process of rate approximation. A new (second) report is due before the end of 1996. The Commission is also carrying out an extensive review of vehicle related taxes in the Member States. Finally, following its discussions on the Commission's carbon/energy tax proposals⁸, the ECOFIN Council of 11 March 1996 invited the Commission to bring forward new proposals for a global approach to the taxation of energy products. This approach is likely to incorporate the existing excise system for mineral oils, and establish minimum levels of taxation necessary for both internal market and environmental policy reasons. The next review of minimum rates will be an integral part of the preparation of these new proposals.
- 2.1.8. Furthermore, with the aim of establishing a balanced and efficient transport system, the Community is developing instruments of a regulatory, technical or organizational nature to promote the use of other inland transport modes: rail (opening up of the market), combined transport (Pilot Actions in relation to Combined Transport - PACT), and inland waterway transport (market restructuring). These instruments aim at increasing the attractiveness of transport modes other than road, by concentrating on improving a number of vital determinants of modal choice, such as for example the quality of service.

⁵ Bulletin of the European Communities, Supplement 3/93.

⁶ COM(95) 691 final.

⁷ COM(95) 285.

⁸ COM(92) 226 final of 27 May 1992 and COM(95) 172 final of 10 May 1995.

2.2. The current situation

The instruments for imposing charges on heavy goods vehicles applied currently in the Community are: vehicle taxes, fuel excise duties, road tolls and user charges such as defined in the current proposal. The relative importance of these instruments in terms of the total revenues they generate in the Community can be seen in the table below. Total revenues from goods vehicles in the Union were estimated to be some 33.8 billion ecu in 1995: 77% of these revenues came from diesel excise duty; 15% from vehicle taxes; 6% from tolls and 2% from user charges (Eurovignette and Austrian system).

Table 1

Taxes, tolls and charges paid by goods vehicles in 1995

in billion ecu

	Fuel excise duty	Vehicle taxes	Tolls	User charges	Total
Revenue	26	5	2	0.8	33.8

Source: Estimation based on information provided by Member States to the Commission Services.

2.2.1. Vehicle taxes

2.2.1.1. Vehicle taxes are levied in the country of registration on an annual basis and are differentiated according to certain vehicles characteristics such as: engine power, gross or unladen vehicle weight and number or configuration of axles. The fact that the vehicle characteristics being used in the Member States' national tax systems still vary across the Community results in difficulties and inaccuracies when comparing tax rates. Following the entry into force of Directive 93/89/EEC an adjustment towards the minimum levels set in the Directive has been realized. Currently the majority of Member States apply vehicle tax rates above the minimum levels (which in the case of France, Greece, Italy, Portugal and Spain are 50% lower until 31 December 1997). The UK and to a lesser extent Germany and Ireland apply considerably higher rates. Table 2 below shows indicatively the 1995 tax rates of some common vehicle types in a number of Member States.

2.2.1.2. Vehicle taxes, by their nature (fixed annual amounts), and in spite of the fact that they offer scope for some differentiation of rates, cannot provide a fair charge for the use that a vehicle really makes of the roads and do not tackle the problem of cost recovery for vehicle use in a country other than the country of registration. Furthermore, as vehicle taxes still differ from country to country, and because they are not necessarily related to actual infrastructure costs, they adversely affect the conditions of competition among transport hauliers. The structure of actual vehicle taxes in the Union is subject to an ongoing extensive review by the Commission.

Table 2

Vehicle taxes of selected types of vehicles in 1995

in ecu.

GVW	NVW	PAYLOAD	Axle No	DK	E	IRL	EU	L	NL	P	UK
tonnes							min				
18	7.5	10.5	2	1 019	440	734	111	277	832	419	
32	10.8	21.2	4	1 778	440	1 247	537	544	1 049	1 021	5 449
38	13.5	24.5	2+3	1 940	458	1 759	700	709		1 021	3 974
40	14.3	25.7	2+3	1 940	458	1 930	700	709		1 021	

Source: Commission services
 GVW = Gross vehicle weight
 NVW = Net vehicle weight

2.2.2. Fuel excise duties

2.2.2.1. Fuel excise duties currently applied in all Member States provide the largest part (see table 1 above) of the revenue from heavy goods vehicles. In application of Directive 92/82/EEC which entered into force in 1993 diesel excise duty rates in all Member States are now above the minimum level set at 245 ecu per 1 000 litres. Actual (April 1996) rates are shown in the table 3 below.

Table 3

Diesel excise duties

April 1996

in ecu per 1000 litres

Member State	Belgium	Denmark	Germany	Greece	Spain	France	Ireland	Italy
Fuel Excise Duty	302	300	329	245	273	354	303	361

Member State	Lux	NL	Austria	Portugal	Finland	Sweden	UK	EU min
Fuel Excise Duty	263	327	301	326	291	291	406	245

Source: Commission services

- 2.2.2.2. Increased intra-Community transport, the differences in fuel prices across the Community, the increased capacity of vehicle fuel tanks and the fact that some smaller countries can be easily crossed without the need to refuel the vehicle mean that frequently fuel will not be purchased in the Member State where a vehicle is driven. When this occurs the vehicle is not making a contribution through fuel taxes to the costs of the road infrastructure it uses.
- 2.2.2.3. Furthermore, while there is a fairly good relationship between the quantity of fuel used and the distance driven by a vehicle, the Commission's Green Paper explored the limitations of this relationship when comparing the infrastructure damage caused by different types of freight vehicle. Similarly, while there is a relationship between the quantity of fuel used and the noxious emissions for a specific model of vehicle, advances in technology have meant that more modern vehicles emit significantly less pollutants than older vehicles for the same fuel consumption. Congestion, which represents probably the greatest external cost of road transport, is very loosely related to the level of fuel consumption.
- 2.2.2.4. These reasons suggest that exclusive reliance on fuel duty would be a limited tool for charging for road use, despite the simple, well-established and inexpensive way in which it is applied. Complementary instruments are therefore necessary.

2.2.3. Tolls

- 2.2.3.1. Tolls are employed by a number of Member States to charge for the use of motorways or other individual expensive pieces of infrastructure. Balancing the requirements for simplicity in the levying of the tolls against the need for some differentiation in their rates, Member States usually apply 3 to 5 charging bands corresponding to an equivalent broad classification of vehicles.
- 2.2.3.2. Directive 93/89 requires the level of tolls to be related to the cost of constructing, operating and developing the infrastructure network concerned. However, the differentiation currently applied is frequently not well related to the actual costs imposed on the road.
- 2.2.3.3. Toll rates for a similar vehicle vary, sometimes substantially, both among and within Member States. Of course, as long as toll rates are set at levels designed to cover road costs and not to serve other purposes, for example, to raise general revenue, there is no justification for toll rates to be uniform since road costs are not uniform either. A rate of 0.12 ecu per kilometre could be quoted as indicating the middle of the range in the Community.
- 2.2.3.4. Road tolls by their nature are the most "territorial" instrument currently used in the Community. However, the present method for their application presents a particularly problematic feature with respect to their potentially generalised use: they require the installation of toll plazas, which is often difficult and costly or sometimes practically impossible in the case of existing infrastructure.

2.2.4. User charges

- 2.2.4.1. User charges were introduced by Directive 93/89/EEC as the counterpart of tolls when these were for whatever reason not possible or simply undesirable. The difference between tolls and user charges is that the latter for reasons of functional simplicity relate to the whole motorway (or primary road) network in a Member State rather than to specific parts of it as in the case of tolls. For the same reasons user charges are based on the duration of the use of the infrastructure rather than on the distance driven. Because of their time basis user charges can have only an approximate relationship with actual use and therefore with the costs of the infrastructure. They have, however, the advantage of constituting a significantly less serious hindrance to traffic and of requiring no road space for their collection.
- 2.2.4.2. Directive 93/89/EEC set the maximum annual rate of user charges and the requirement that rates shall be in proportion to the duration of the use made of the infrastructure. No further differentiation by vehicle type was required.
- 2.2.4.3. Prior to joining the Community, Austria operated a user charge system which applied much higher levels of charges than those allowed in Directive 93/89/EEC. As part of the accession agreement these were to be reduced and will be in line with the levels in Directive 93/89/EEC by 1997.
- 2.2.4.4. In conformity with Directive 93/89/EEC a user charge system (often referred to as the Eurovignette system) has been introduced since 1 January 1995 in Belgium, Denmark, Germany, Luxembourg and the Netherlands (since 1 January 1996). Sweden will join the system (January 1997) if the Swedish Parliament ratifies the governments decision to accede.
- 2.2.4.5. According to an agreement between the participating Member States, each one is responsible for the levy of the charge on its territory from both national and non-national hauliers, whereas the responsibility for the collection of the charge outside the territory of the participating countries (in a "zone" around them) is shared between Germany and Denmark. Belgium, Denmark and Luxembourg apply only annual rates (two levels depending on the number of the vehicle's axles) for vehicles registered in their territory, whereas Germany and the Netherlands also have monthly, weekly and daily vignettes. The same system (two categories of vehicles and four time periods) applies to all vehicles not belonging to the Member States subscribing to the common system.

2.2.5. Infrastructure costs

- 2.2.5.1. Historically, the fixed and variable costs of infrastructure have been funded through the mix of fuel duty and vehicle taxes. Fuel duty roughly approximates to road usage. To compensate for the fact that fuel duty is not a good fit to variable costs, which depend heavily on axle-weights, Member States have attempted to compensate by increasing differentiation of the vehicle taxes. While overall revenue may be adequate, this provides poor signals to users because the variable costs arise

from road usage to which vehicle taxes are unrelated and because the charges are not paid when road damage is actually caused.

- 2.2.5.2. In the current situation tolls and user charges have been introduced as an attempt to charge fixed and variable costs when they arise. However, these charges are only partly differentiated and are therefore not in proportion to the costs being caused. As a result there remains an overall mismatch in the use of fuel duty and vehicle taxes to fund the fixed and variable costs.
- 2.2.5.3. It is desirable over time for charges to be better related to the costs which are being recovered. Therefore tolls and user charges should become increasingly differentiated as technology, particularly telematics, makes this feasible. These charges should increasingly approximate to the actual cost of using the road, that is, the variable cost. As a step in this direction user charges and vehicle taxes should be more differentiated.
- 2.2.5.4. When road pricing is sufficiently advanced to be used on all roads, it would be possible to use it to replace fuel duty as the main means of charging for variable costs, and to reduce the reliance on the use of other taxes and charges for this purpose. However, in the meantime, these instruments will still be necessary to recover and provide incentives to reduce costs. Moreover, it should be recalled that the current approach within the European Union towards fuel taxation is likely to continue to be governed not only by transport policy concerns but also by broader fiscal policy considerations, in particular the fact that fuel duties are an important source of revenue.
- 2.2.5.5. The high degree of differentiation in advanced charging systems requires the introduction of pay-as-you-go telematics based pricing systems as outlined in the Green Paper. The Commission is pursuing research in the field of telematics with this aim in mind, but it is clear that telematics technology will not be available for wide scale implementation in the near future. Any such system will need to be interoperable on a European wide basis to ensure the greatest benefits. The Community's role in setting clear requirements to ensure this interoperability will be crucial. Furthermore, the possibilities offered by electronic fee collection systems, with automatic classification and enforcement, and by weigh-in-motion techniques, capable of measuring actual axle weight at high speed and thereby allowing the setting of charges closer to real costs, will also need to be examined.
- 2.2.5.6. As regards the determination of the level of charges required to recover infrastructure costs Member States have so far applied a number of different methodologies. Usually, the total annual expenditure for new road construction and maintenance was allocated to broad categories of vehicles, so that the total resulting revenue would cover in varying degrees the total expenditure. It is clear that, if a harmonized approach to infrastructure charging is to apply in the Community, common methods need to be adopted both with regard to the elements which will determine the total costs, and not simply the annual expenditure, to be allocated and with regard to how this allocation should be made to different vehicle types. This is

particularly important in order to ensure transparency of rates and non discrimination when electronic fee collection systems are used. In the meantime, the following estimates have been made of the amount of total infrastructure costs in the Community and of the average costs related to heavy goods vehicles, on the basis of which appropriate charges should be fixed.

2.2.5.7. Total annual expenditure on roads in the Community is estimated to be some 65 billion ecu⁹. Estimating the total cost, which will include interest charges for the capital value of the network, is more uncertain but it is probably around 90 billion ecu per year¹⁰ of which about 30 billion ecu¹¹ can be attributed to goods vehicles above 12 tonnes. The annual revenue from taxes, charges and tolls paid by all goods vehicles above 3.5 tonnes¹² amounts to some 34 billion ecu¹³. In 1995 approximately 4.8 million goods vehicles above 3.5 tonnes were registered in the Union. Of these 2 million were heavy goods vehicles above 12 tonnes. This suggests that heavy goods vehicles above 12 tonnes do not fully pay their total infrastructure costs.

2.2.5.8. Moreover, the current structure of charging schemes for individual vehicle types does not correspond to the real infrastructure costs caused. Indicatively, it has been estimated that infrastructure costs vary from 0.07 ecu/km for a 12 tonnes truck to 0.29 ecu/km for a (3+2) axle articulated vehicle of 38 tonnes total weight. On one hand the structure of the vehicle taxes applied by most Member States follows these differences in infrastructure costs. This is in line with Directive 93/89/EEC, although the minimum levels laid down therein do not correspond to the necessary levels for cost recovery. On the other hand, current user charge levels are not appropriately differentiated. In fact, for reasons of administrative simplicity, there are only two charge levels based on the number of axles (less than 4 axles and more than four axles), leading to the undesirable effect of vehicles having the same total weight being charged more if they have 4 axles than if they only have 3 axles. This is in contradiction with the levels of the infrastructure costs caused by these two types of vehicles.

2.2.5.9. Consequently, to ensure that total vehicle charges are sufficient to recover infrastructure costs, the infrastructure element of average charges must be appropriately differentiated; this implies that for some vehicle types charges will have to be increased, whereas for others they will have to be reduced.

⁹ The information provided by Member States suggests expenditures of 65 billion ecu. This level corresponds well with UN statistics on expenditures on motorways, other supra regional and regional roads. If also local and urban roads are included the expenditures can be estimated to at least 80 billion ecu.

¹⁰ The capital expenditure is approximately 45% of the total expenditure. An interest rate of 8% and a relation between capital expenditure and capital cost of 1:1.7 has been used.

¹¹ If also local and urban roads are included the cost will be 36 billion ecu.

¹² Information regarding the exact revenue from HGV above 12 tonnes alone is not available.

¹³ Estimation based on information provided by Member States to the Commission Services.

2.2.6. Differentiation in infrastructure charging

2.2.6.1. There are two types of road infrastructure cost which need to be allocated among road users; these are the capital costs of road construction and the damage costs arising from road use. Capital costs arise from the need to create or expand road capacity. These costs are dependent on the road space and characteristics of different types of vehicles. Heavy goods vehicles are large and relatively slow moving especially on inclines. Therefore they lead to a need for greater capacity than if the road was to cater only for cars. In addition because of their weight and axle loading, the roads must be constructed to a greater strength leading to additional cost. Allocation of capital costs to different vehicle types is often in line with these considerations.

2.2.6.2. Considerable research has been conducted on overall levels of road damage caused by heavy goods vehicles and different axle and suspension types. From this research it is possible to say with some accuracy how much damage is caused by correctly loaded trucks of different configurations. Damage costs may then be apportioned on the basis of average distances travelled. Member States have for a long time employed graduated annual vehicle taxes for lorries in recognition of the relationship between axle weight and road damage. It was this information coupled with the apportioning of capital costs which provided the basis for the minimum tax levels put forward by the Commission in its 1991 proposal. Evidence also points to there being further significant benefits to be gained from encouraging the greater use of lorries with more axles and road friendly suspension.

2.2.6.3. As the costs of road use vary significantly across vehicle characteristics, in time and in space, efficient charging requires accurate differentiation in a number of respects. The allocation of costs to different road users should also be reviewed. Provided certain conditions on the cost structure are met and an efficient infrastructure investment policy is applied, cost recovery on the basis of marginal-cost pricing should recover most costs in the long run. However, it is likely that charges based on average costs will also have to be used, particularly early on.

2.2.7. External costs

2.2.7.1. There are a wide range of other costs which are directly attributable to the use of roads. These factors include the cost of policing, accidents, congestion, and other environmental and social factors such as noise and pollutant emissions. Currently these costs are borne by the rest of society either through general taxation to pay for example for emergency services and hospital treatment, or through the impacts of noise and emissions and accidents on the health and quality of life of the population. Congestion costs are currently borne by road users through longer journey times, however because of the different value placed on time by road users this is a very inefficient method of allocating capacity.

- 2.2.7.2. Although there is large uncertainty surrounding cost estimates of individual externalities and costs vary significantly across and within modes, and time and place of use, the order of magnitude of the total costs - which is broadly comparable to the total direct contribution of inland transport modes to GDP - is so large that action is warranted. In the future it will be desirable to ensure a better approximation between these costs and the level of charges, but improved technology will be necessary to implement more refined charging.
- 2.2.7.3. Based on specific emissions of a representative Euro I truck during an inter-urban driving cycle the cost of only one type of local air pollution has been conservatively estimated at slightly more than 0.03 ecu/km¹⁴. This figure does not include other form of air pollution costs or other externalities such as noise, congestion or accidents and can therefore be seen as a very cautious estimate of the relevant external costs in the Community.
- 2.2.7.4. A number of organizations have undertaken work to attempt to estimate the total external costs above the local air pollution discussed above. The Commission's Green Paper gave an average figure derived from literature on the subject of some 0.033 ecu per tonne-km for road freight excluding congestion costs. On the basis of certain assumptions to translate the cost estimate per tonne-km into a cost per vehicle-km, it is possible to derive an average figure for the external costs of road freight haulage of about 0.5 ecu per kilometre travelled excluding congestion costs. A recent study by ECOPLAN¹⁵ provided some evidence that external costs in Alpine areas might be as high as 2 ecu per vehicle-km for HGVs.
- 2.2.7.5. Existing charging systems do not allow for distance dependent charging and therefore annual charges have to be based on estimates of annual distance driven and the estimated cost per kilometre. However, flat rate environmental charges have a very low efficiency in terms of affecting distances travelled and therefore appropriate differentiation of the charges is more important than a high absolute level.

2.2.8. Differentiation of external costs

- 2.2.8.1. The control of transport related air pollution in the Community has over the last ten years followed a uniquely regulatory approach: emission standards for vehicles have been set. Currently three different standards can be identified for heavy goods vehicle emissions, these are pre 1988 (referred to as non-Euro), Euro I which became mandatory in October 1993 and Euro II which becomes mandatory in October 1996.

¹⁴ An evaluation of 3 ecu/kg NO_x gives a conservative estimate of air pollution cost, excluding particulate matters (PM), at 0.03 ecu/km, for a common type of vehicle.

¹⁵ The effects of including external costs of road freight transport into infrastructure user charges: a case study for the Alps. ECOPLAN March 1996

2.2.8.2. These regulations specify the maximum level of pollutants which may be emitted by engines complying with the regulation. The specifications cover a number of substances but by weighting these we can arrive at relative levels of overall pollution from different vehicle types. In this way, if Euro I pollutant levels are classified as 100 (units) the Commission estimates that pollutant emissions from pre-Euro trucks are about 180 and Euro II emissions are around 70. These estimates can therefore be used as the basis for differentiation of the external costs generated by different vehicle types.

2.2.8.3. External costs do not only vary between vehicle types, there can also be significant variations in the level of external costs between different locations in time and space.

2.3. Further considerations

2.3.1. The creation of the single market and its vitality has led to increasing levels of internal trade. The expansion of the Community in January 1995 has further expanded growth in intra-Community trade. This expansion makes increasing demands on infrastructure and over time leads to demands for new infrastructure and requires methods of making better use of existing capacity.

2.3.2. The environmental problems arising from road transport are increasingly recognized. In many circumstances this is a local or regional matter that should be solved within Member States. However, Community action has to be considered where cross-border externalities exist, where there is an effect on the internal market, where Community action can achieve economies of scale and where policy spill-over exists. The environmental problems which arise in the context of international goods transport fulfil a number of these criteria.

2.3.3. The expansion of the Community is having a deep effect on the alpine region which forms a natural barrier between much of Northern and Southern Europe. For example, between 1984 and 1994 the number of heavy goods vehicle trips through the region increased twice as fast as the average transport increase in the Union¹⁶. As there have historically always been a limited number of routes through this area the growing trade between Northern and Southern European countries is putting increased pressure on this limited number of transit routes.

2.3.4. In addition to the volume of traffic, the geography of the region leads to particularly high infrastructure and maintenance costs and the alpine environment is also particularly sensitive to the effects of pollution. As a result, alpine States both inside (Austria, France and Italy) and outside (Switzerland) the Community, to a greater or lesser degree, are experiencing serious problems. It is therefore important that the Community's transport strategy should address soon the specific concerns of this region in a comprehensive way. This will be done in the context of the Environmental Impact Framework that has been announced in the "Common Transport Policy Action Programme 1995-2000" (COM(95) 302 final).

¹⁶ Source: Secretariat general of the Swiss Department for Energy and Transport, October 1995.

3. THE PROPOSAL

3.1. Objectives

3.1.1. Flowing from the problems outlined, the Commission's principal objectives for this proposal are:

- (a) To further the development of the internal market in road transport.
- (b) To ensure better recovery of costs associated with road use, including externalities.
- (c) To allow for greater differentiation in charges in line with costs.
- (d) To see further moves towards the principle of territoriality in charging for road use.

3.1.2. The general aim of furthering the development of the internal market is achieved by ensuring that the proposal reduces distortions to competition. This objective is achieved by further harmonizing tax and user charge levels for identical vehicle categories, irrespective of the country of registration. However, the correct functioning of the internal market also requires the provision and maintenance of adequate infrastructure, the costs of which need to be recovered from users. For this to be carried out fairly, greater differentiation in charges is necessary. Similarly, provisions are needed to allow charges to reflect different levels of external costs. Finally, charging has increasingly to be carried out on a territoriality basis so that costs are recovered where they arise.

3.1.3. The main features of the Directive which will ensure that the other objectives can be met are:

- (a) The introduction of greater differentiation in the levels of annual vehicle taxes and user charges for individual vehicle categories in line with the costs caused.

This is intended to ensure that charges are more closely linked to cost and provide incentives to vehicle operators to use less damaging vehicles.

This differentiation will lead to an increase in the weighted average of annual user charges from 1 020 ecu to 1 258 ecu; user charges for low damage, Euro II vehicles will go down to 750 ecu, whilst for high damage, non- Euro vehicles user charges will go up to 2 000 ecu.

- (b) The introduction of changes in the rules governing vehicle taxes, user charges and tolls to put greater emphasis on the use related element (notably user charges and tolls) so as to move towards the principle of territoriality in charging for road use.

- (c) A further harmonisation of the structure and levels of vehicle taxes and charges across the Community.

This objective is reached by the introduction of a range within which the levels of user charges and vehicle taxes can vary (defined by minimum and maximum levels) as well as rules on the structure of these charges and taxes. Whilst leaving appropriate room for dealing with variations in infrastructure costs across the Community, these measures seek to further the development of the internal market in road haulage.

- (d) The introduction of the possibility of an external cost element in tolls and user charges

Tolls are currently only permitted to recover infrastructure costs. In line with user charges it is proposed that an element of external cost may also be charged

- (e) The introduction of the concept of sensitive routes for which a larger external cost element can be charged, in recognition of higher external costs on them.

- (f) Specific requirements for shorter period user charges. It is also proposed that their rates should be made more attractive thereby encouraging a move towards marginal cost charging.

A summary of the current and proposed charges for different vehicle types are shown in table 4 below (Annex 1 gives a comprehensive description of the changes).

Table 4

Changes in the levels of vehicle taxes and user charges

ecu p.a.

Current and proposed charges for different vehicle types							
Vehicle type	All Member States	In Member States that do not apply User Charges		In Member States that apply User Charges			
	Current annual vehicle tax ^(a)	Proposed vehicle tax levels ^(a)	Percentage change in annual vehicle tax	Proposed vehicle tax levels ^(a)	Current annual user charge ^(b)	Proposed annual user charge ^(b)	Percentage change in annual user charge
2+2 axle o.s 38 t non Euro	706	854	+21	0	1 250	2 000	+60
2+2 axle a.s 38 t non Euro	465	563	+21	0	1 250	1 500	+20
2+2 axle a.s 38 t Euro I	465	512	+10	0	1 250	1 350	+8
2+2 axle a.s 38 t Euro II	465	465	0	0	1 250	1 250	0
2+3 axle o.s 38 t non Euro	515	623	+21	0	1 250	1 500	+20
2+3 axle a.s 38 t non Euro	370	448	+21	0	1250	1500	+20
3+3 axle o.s 38 t non Euro	225	272	+21	0	1250	1000	-20
3+3 axle a.s 38 t non Euro	186	225	+21	0	1250	1000	-20
3+3 axle o.s 38 t Euro II	225	225	0	0	1250	750	-40
3+3 axle a.s 38 t Euro II	186	186	0	0	1250	750	-40

(a) minimum rates
(b) maximum rates

a.s = air suspension or equivalent
o.s = other suspension

3.2. The content of the proposal

(a) The scope of the proposal (Article 2)

3.2.1. As in Directive 93/89/EEC, the scope of the current proposal is unchanged and is therefore limited to goods vehicles of over 12 tonnes gross vehicle weight.

(b) Annual vehicle taxes (Article 3, 4, 5 & 6)

3.2.2. To provide for a period of stability for those Member States which have had significantly to increase their annual vehicle taxes in recent years, it is proposed that the existing minimum annual vehicle taxes for vehicles meeting the Euro II standard (which will be mandatory as of October 1996) shall be maintained. However, to provide a financial incentive for operators to replace older vehicles with less environmentally damaging models, it is proposed that non-Euro and Euro I vehicles should be subject to somewhat higher charges (10% and 21% respectively¹⁷). This differentiation is in line with the existing arrangements for lower minimum rates for vehicles with road friendly suspension in recognition of the lower infrastructure damage which they cause.

3.2.3. The differentiation which was built in to annual vehicle taxes in Directive 93/89/EEC only applied to the minimum levels of these charges. While individual Member States are free to introduce differentiation through higher charges on dirtier vehicles, in general, this has so far not happened. The desirability of harmonising conditions of competition and influencing vehicle ownership decisions on a Community-wide basis makes it appropriate for this differentiation to be compulsory at any level of annual vehicle taxes in all Member States. The proposed differentiation in annual rates implies that tax levels for non-Euro vehicles are 10% higher than for Euro I vehicles, which in turn should be 10% higher than for Euro II vehicles.

3.2.4. Moreover, in order to encourage Member States to rely more on use-related charges, it is proposed that Member States may impose lower vehicle taxes than the minimum rates, provided that they introduce or have in place user charge systems. As it is also proposed [Article 7(6)] to introduce minimum rates in the user charge system, this proposal ensures that Member States will continue to be able to recover infrastructure costs in a balanced way, whilst moving towards a system that further harmonises the conditions of competition in the internal market.

(c) User charges and tolls (Article 7)

3.2.5. As user charges are only aimed at covering the average costs of the road network they will not cover the costs of specific expensive pieces of infrastructure, such as tunnels, bridges, mountain passes or sensitive routes. This provision therefore allows for the application of both instruments in these special cases [Article 7(3)].

¹⁷ 10% between each category. ($1.10 \times 1.10 = 1.21$, i.e. 21%).

- 3.2.6. The maximum permitted levels of user charges will allow a reasonable recovery of infrastructure costs (if fuel excise duty and vehicle taxes are taken into account) and an element of charging for external costs. The maximum infrastructure component will be 1600 ecu and the external component 400 ecu. It is proposed that the infrastructure component is differentiated according to three damage classes based on the difference in infrastructure costs due to these classes. The external component is differentiated according to the weighted emission limits laid down in the type approval of the engine. These changes will result in a much fairer system of charging and mean that weighted average charges will only increase from 1 020 to 1 258 ecu per vehicle year [Article 7(6)].
- 3.2.7. In order to further harmonise the conditions of competition and to ensure that Member States wishing to reduce annual vehicle taxes, maintain a system which ensures that infrastructure costs are appropriately charged, it is proposed to introduce minimum rates in the user charge system. These rates are 50% of the maximum rates. These minimum levels roughly correspond to the current minimum levels for vehicle taxes. This ensures that, if Member States decide to fully phase out annual vehicle taxes when introducing user charges, the harmonisation of the full incidence of transport fiscality (charges and taxes) is strengthened and not weakened [Article 7(6)].
- 3.2.8. In order to ensure that the conditions of competition in the internal market are harmonised and that incentives influencing vehicle ownership decisions are streamlined it is furthermore proposed to make the differentiation compulsory at any level of user charge [Article 7(6)].
- 3.2.9. Directive 93/89/EEC laid down maximum annual levels for user charges. Member States were required to set user charge rates in proportion to the the duration of the use made of the infrastructure, but no rates or periods were specified. User charges are intended to reflect the actual cost of road construction and use, and it follows that the charges should be more closely related to actual vehicle use. However, annual charges do not provide suitable signals for road users because once the cost has been sunk, the user has no incentive to reduce road use and indeed they have the effect of making the cost per kilometre lower the more the vehicle is driven. Therefore the proposal requires Member States to offer shorter period charges which are more closely related to actual road usage by defining the maximum ratios between the charges for daily, weekly, monthly and annual periods. This should encourage operators to pay user charges more closely related to their use of the infrastructure [Article 7(7)]
- 3.2.10. The proposal recognizes that some Member States use tolls, rather than user charges, to charge for the use of motorways. It is important that tolls are set in a fair and transparent way and, like user charges, may not be used to exploit a monopolistic position. However, specific infrastructure elements can have widely differing costs and therefore the Directive does not attempt to determine maximum toll levels because this could discourage the development of expensive but desirable infrastructure. Instead it seeks to ensure that toll charges are set at a level sufficient to recover actual costs including a satisfactory return on the investment [Article 7(8)].

Article 7(8) ensures that Member States can fully recover the capital costs of any individual part of their infrastructure network on which tolls are levied. Given the fact that expenditures on infrastructure have a different time profile from infrastructure capital costs, this provision implies that Member States can use toll revenues from any specific infrastructure in excess of expenditures on it for other purposes, for example for financing investment needs that arise elsewhere in the infrastructure network.

3.2.11. To ensure compatibility between user charges and tolls, the Directive makes provision for the possibility of including a specific external cost component of up to 0.03 ecu/km in toll charges. This figure is not intended to correspond to the external cost on a specific section of motorway but is intended to set a cap on these charges at a level which does not exceed the overall external costs caused by road transport [Article 7(8)].

(d) **Sensitive routes** [Article 7(9) and (10) and Article 9]

3.2.12. It is clear that the costs of the provision of infrastructure and its use are not the same everywhere in the Community. In most parts of the Community costs are not likely to vary greatly, but it does need to be recognized that in some areas these costs can be dramatically greater than the average. This might be the case in an area which is environmentally very delicate, or where there are serious congestion problems.

3.2.13. Therefore the proposal makes provision for the definition of sensitive routes in such areas. The definition of sensitive routes should be based on the criteria laid down in Article 9: criteria used for determining that a motorway is congested and/or whether traffic on it contributes significantly to poor air quality and / or noise standards being exceeded in the area. Furthermore, certain supplementary conditions will have to be met, notably that other transport modes in the area can provide an adequate service, implying open and non-discriminatory access to infrastructure for authorized Community enterprises, and that relevant measures have been taken to combat air pollution from all other sources as well. Also, a justification for the charges proposed will have to be given including a description of: the method and calculation, which have been used to set the rates; the organization of other modes of transport within the area; measures taken to reduce the relevant external costs from all road users in the area and measures taken to combat air pollution from all sources in the area.

3.2.14. Given that the basic user charge is intended to make a contribution towards coverage of only the average external costs over the whole network, on sensitive routes where external costs are exceptionally high, their recovery through an additional charge is justified. Accordingly it is proposed that on these sensitive routes, whichever charging system a Member State uses, it will be able to charge tolls to recover infrastructure costs and, in addition, external costs of up to 0.5 ecu per kilometre. The actual level of charges must be determined by sound economic justification. A Member State will be free to choose whether it recovers these tolls on sensitive routes through a tolling system to collect the charges or through user charges. Such user charges would be valid for a day and would allow passage through the specified sensitive routes in a Member State. The price of daily user charges must be based on sound economic argument and may in no circumstances be above 15 ecu per day

- 3.2.15. Because this proposal acknowledges the existence of sensitive routes, including congested corridors, Article 10(c) in Directive 93/89/EEC ("regulatory charges specifically designed to combat time and space-related traffic congestion") is already covered in Article 7 and has therefore been deleted. This means that the proposal seeks to encourage the use of highly differentiated congestion pricing while at the same time incorporating interurban congestion pricing within the framework of tolls and user charges. The pricing of urban traffic is still unregulated (Article 11(b)) as in Directive 93/89/EEC.

3.3. The legal basis for the proposal

The Commission proposes to adopt the present proposal on the basis of Article 75 of the EC Treaty which is the relevant provision for the Council to adopt any measures (including measures involving fiscal instruments) aiming at establishing a common transport policy which includes the elimination of the distortion of competition among Community hauliers.

3.4. Examination of the impacts

3.4.1. Effects on heavy goods vehicles (HGV) fleet composition

3.4.1.1. The mandatory differentiation in both vehicle taxes and user charges is likely to affect the composition of the heavy goods vehicles fleet in the Community as a whole. It will mean lower charges for vehicles causing less damage to the road or the environment, in any weight category. Some examples of the resulting differences in charges between different vehicle types are shown in Annex 1. It can be seen that an additional axle on a 40 tonne vehicle could result in a saving of up to 5400 ecu in the present value of the charges over the vehicle life¹⁸. For a haulier using a 40 tonne heavy goods vehicle the present value of the savings for the most road friendly configuration (3+3 axle) with air suspension is 9300 ecu compared to the most damaging configuration (2+3 axle) without air suspension. As a result of the differentiation of charges by emission category, a saving of almost 3 000 ecu is possible for a Euro II equivalent of a Euro I vehicle (3+2 axle air suspension).

3.4.1.2. The savings in charges resulting from this proposal are expected to provide incentives for hauliers to invest in new equipment¹⁹ which will lead to a reduction in the overall damage and therefore cost to infrastructure and the environment in the Community. Similar changes in the heavy goods vehicle tax structure in the USA were analysed in the study "Road Work"²⁰ which can provide an indication of the likely changes in fleet composition which would result from the present proposal. In that study charges were assumed to be distance based and it was predicted that as a result there would be an increase in the number of road friendly vehicles as well as a fall in the distance travelled by the most road damaging categories.

¹⁸ Compared to a possible saving of 2 400 ecu in Directive 93/89/EEC.

¹⁹ This could mean a "cleaner" vehicle, a vehicle with more axles or simply the addition of an extra axle to an existing vehicle.

²⁰ Small, Winston and Evans, Washington, 1989.

- 3.4.1.3. Because of the economic incentives provided by the proposed charging system, operators are likely to adapt their behaviour to best suit their particular situation. The dynamic effects of changed taxes and charges should not be neglected: although the changes in the short term are not expected to be significant, over a number of years vehicle fleets should become progressively less damaging. Certainly some changes in hauliers' behaviour can be expected to "escape" the proposed charges and taxes, and if that is taken into account, then the average increase in costs will be less. Throughout the analysis of the impacts these changes have been taken into account in a scenario, supplementary to the base case, in which assumptions have been made about hauliers' behaviour, a so-called "market reactions" scenario.
- 3.4.1.4. At the end of 1995 there were approximately 2 million heavy goods vehicles above 12 tonnes gross vehicle weight registered in the Community²¹. The estimated changes in the fleet during one year are an introduction of 7.5% of new vehicles, and scrapping of 4.5% of the stock resulting in a growth in the stock of 3%. Euro II vehicles will be compulsory from October 1996 so the proposed differentiation will only affect the scrapping rate and the use of vehicles that pay a user charge. The Euro III is assumed to be compulsory from 2001. The estimated vehicle composition in 1998 and in 2005 with the above changes in the fleet, is presented in the table below as the "base case". If the scrapping rate of vehicles in damage class III is doubled from 1997 compared to the baseline and no new damage class III vehicles are sold from 1997 onwards, the fleet composition is presented in the table below in the "market reactions" scenario. The right hand column shows the composition estimates if the new Directive will be subsequently amended to include differentiation of charges for vehicles meeting Euro III standards²².
- 3.4.1.5. On the basis of the fleet composition estimates shown in the table below a weighted average user charge has been calculated for each scenario. For 1998, the year of the expected entry into force of the new Directive, this level is at 1 258 ecu as compared to a current weighted average of 1 020 ecu; this shows an increase of 23%. It is interesting to note that in all other scenarios in the table below average user charges are estimated to be lower, which indicates the lower infrastructure and environmental costs expected as a consequence of the proposed pricing measures.

²¹ Estimate by the Commission services.

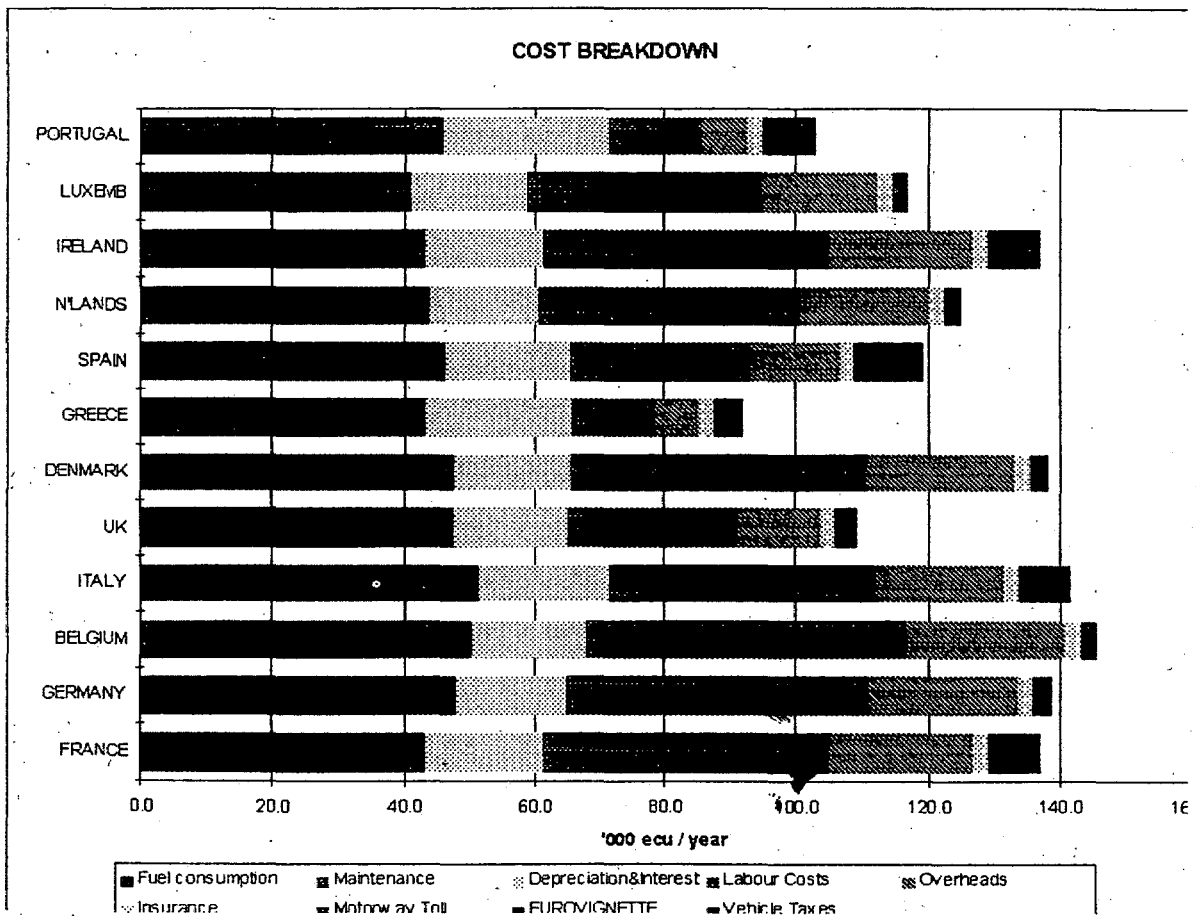
²² New standards, called here Euro III, concerning tailpipe emissions from road vehicles, are expected to be the subject of a new Commission proposal by the end of 1996. The emission limit values likely to be proposed are based on the results of the so-called Auto/Oil Programme. This is a cooperative programme set up jointly by the European Commission and the European automotive and oil industries to examine engine technology, fuel quality and air quality in view of formulating options for reducing pollutant emissions from vehicles.

Table 5

E. U. Fleet composition and average user charge

	Base case		Market reactions scenario		2005 + EIII
	1998	2005	1998	2005	
Proportion of vehicle stock per damage class (%)					
Damage Class I	53	53	55	61	61
Damage Class II	30	30	31	36	36
Damage Class III	17	17	14	3	3
Proportion of vehicle stock per environmental class (%)					
Non Euro	70	30	70	30 *	30 *
Euro I	19	15	19	15 *	15 *
Euro II	11	20	11	20 *	8 *
Euro III (from 2000)	0	34	0	34 *	46 *
Average user charge (ecu per year)					
Average User Charge	1258	1130	1243	1026	1014

* Possible effects of the pricing changes on the early retirement of non-Euro vehicles have not been taken into account.



3.4.2. Impact on transport costs

- 3.4.2.1. An indicative breakdown of the cost components for the road haulage industry is shown in the bar chart above²³. This shows an approximate 50% overall variation in annual operating costs of a lorry from the different Member states with, on average, vehicle taxes constituting around 3% and fuel excise duty 10% or more of total operating costs. It can be seen that the contribution to cost of the average user charge is small as a proportion of total operating costs and also in comparison with other charges such as fuel or tolls.
- 3.4.2.2. For the case of a haulier in a Member State which operates a user charge system, and who chooses to pay a full annual charge, the maximum increase will be just over 0.5% of total operating costs²⁴. In addition those States may offset some of this increase through changes to annual vehicle taxes. However, the average increase in the user charge will only be one third of this most extreme case²⁵ and, consequently, the operating cost will increase by just under 0.2%.
- 3.4.2.3. Hauliers from non-user charge countries will typically buy daily and weekly user charges. The current proposal specifies the relationship between the different types of user charge. The effect of this is that while it is proposed that the absolute maximum annual charge should be increased by 60%,²⁶ the increase in the equivalent maximum, daily user charge would be only some 33%²⁷. As a result, operating cost increases for hauliers from non-user charge countries are likely to be substantially lower than the above mentioned increases. In fact, they are more likely to be closer to an average of 0.1%.
- 3.4.2.4. The introduction of an external cost component in the toll levels can increase the average toll by some 25%²⁸ at the maximum. In Member States that use tolls instead of user charges the maximum increase in transport costs can be estimated at 0.75%²⁹.

²³ Breakdown of cost structures of transport undertakings. Mercer management consulting May 1993.

²⁴ For the worst case of a damage class III, non-Euro truck the user charge will increase from 1 250 ecu to 2 000 ecu, i.e. 750 ecu. This user charge increase divided by an average annual cost of about 130 000 ecu gives an annual increase in transport costs of just over 0.5%.

²⁵ The weighted average increase will be $1\ 258 - 1\ 020 = 238$ ecu, which is just under one third of the maximum increase of ECU 750.

²⁶ That is the difference between the proposed rate of 2 000 ecu and the current maximum of 1 250 ecu.

²⁷ The proposed daily rate is 1/250 of the annual 2 000 ecu, i.e. 8 ecu, whereas the currently applied one is 6 ecu.

²⁸ This is the increase of 0.03 ecu/km on an average toll level of 0.12ecu/km.

²⁹ This is the 25% of the 3% contribution to operating costs that tolls are estimated to make.

3.4.2.5. The introduction of a sensitive route charge can lead to a varying increase in the operating costs of hauliers depending on their cost structure and the length of the journeys involved. So, the cost of a long distance journey of 750 km, including one daily payment, for an average cost haulier may increase by 1.5%³⁰. In the case where a sensitive route charge is paid every day the operating cost could increase by 3%³¹. For a shorter journey with a low cost vehicle the sensitive route charge can be up to 5%³² of the operating cost.

3.4.3. Impact on demand for road transport and modal shift

3.4.3.1. To examine the likely impact of the proposal on transport demand and modal shift calculations have been performed for the base case and the market reactions scenarios using estimated elasticities. The effect of only the user charge as well as both the user charge and the charge on sensitive routes have been examined. In the latter case the most extreme assumption of daily use of a sensitive route has been used.

3.4.3.2. The effect of the proposal will in general be limited. In the base case the overall traffic volume in year 2005 will be reduced by less than 1%. If the market reactions of the haulier industry are taken into account, the level of traffic will be unchanged as it is assumed that the haulier industry will react with a new fleet composition that will offset the price effect of the proposal.

3.4.3.3. For vehicles making regular journeys through a sensitive route, the effect of charging at 15 ecu a day is expected to be a reduction in traffic volume of 1.5%. If the special user charge is undifferentiated between vehicle types, it is impossible to offset the price increase with a changed vehicle composition and the traffic volumes are the same in the scenario "market reactions". However, each Member State can differentiate the special user charge to take into account local conditions.

3.4.3.4. However, the supplementary condition requiring the availability of adequate quality of service provided by other transport modes, is expected to lead to a more significant modal shift than implied by these calculations.

3.4.3.5. Finally, even if the overall reduction in demand for road transport would be small, transport will be increasingly performed by less damaging vehicles.

³⁰ This is based on the assumption of an average operating cost of 130 000 ecu and an average annual distance travelled of 100 000 km giving a cost of 1.3ecu/km. The operating cost therefore for the 750 km is assumed to be 975 ecu. The daily sensitive charge of 15 ecu represents 1.5% of the cost of this 750-km journey.

³¹ For 250 transport days at 15 ecu per day the annual increase will be 3 750 ecu, equal to 3% of the annual operating cost, assumed to be 130 000 ecu.

³² For example for a 300-km journey of a haulier having an operating cost of 1 ecu/km the cost of this journey will be only 300 ecu; the 15 ecu maximum daily charge would then represent 5% of the costs.

3.4.4. Impact on the price of goods

- 3.4.4.1. For most industrial branches, road transport costs are a small percentage of production costs, but there are studies which show that for some companies transport costs can be significantly higher than the average. Annex 2 shows how increases in transport costs would affect the price of the final output³³. An increase in road transport cost by 100 percent would increase production costs for most products between 1 and 8 percent. On average it would imply a cost increase by 4 percent with the highest proportion in the mineral and cement industries. The estimated shares in each branch based on the input-output tables from Eurostat are presented in Annex 2.
- 3.4.4.2. For the standard user charge it has been shown that the weighted average increase in user charges is some 23%. This increase is equivalent to some 0.2% of a hauliers vehicle costs as was estimated in paragraph 3.4.2.2. For the average good, with a 4% road haulage component in its price, this will equate to an increase in product price of some 0.01% an effect which would be almost unnoticeable in comparison with exchange rate variations, fuel price fluctuation and inflation.
- 3.4.4.3. In the most extreme case where the goods have an 8% road transport component in their price, and a low cost haulier operating a damage class III, non-Euro truck has to pay an annual user charge, the haulier's operating costs will increase by some 1%. This will result in an increase in the product price of some 0.08%. However, because the charges will have a direct effect on hauliers, the proposal will have a significantly greater effect on transport behaviour than the price effect on goods would imply.
- 3.4.4.4. The charge for sensitive routes is of greater magnitude than the standard user charge and has a correspondingly greater impact on demand. If the effect described in paragraph 3.4.2.5 is taken as fairly typical then the result is almost a 1.5% increase in operating costs. For an average good this will equate to an increase in product price of some 0.06% under the assumption that not only transport services provided directly for the various industries but also those for their suppliers take place on sensitive routes to a similar degree. The theoretically worst case will be where a haulier operates all the time on a sensitive route. In that case his operating costs would increase by some 3%. If in addition all indirect supplies to the various branches face such a cost increase, this would equate to a price increase of 0.12% on average (not in table).

³³ This estimate takes into account both the hire and reward and the own account transport sector costs.

3.4.4.5. An analysis of the price impacts for 54 product sectors has been performed³⁴. The results, presented in Annex 2, show that with no redistribution of revenues average overall prices would increase by only 0.008% as a result of the proposed user charge increases, and by 0.061% with the proposed user and sensitive route charges. The worst hit sector (minerals and derived products) will face a price increase of less than 0.13%.

3.4.4.6. Moreover, if revenues from user charges are used to alleviate the burden of other taxes (e.g. social security contributions or income taxes) on industry, the pattern of the impact changes substantially. As an example estimates of the sectoral impact of a reduction in social security contributions have been made in Annex 2. Service industries will in general be better off, with prices falling by up to 0.13%. For the worst impacted sector under the sensitive route scenario (again minerals and derived products), the price increase is estimated at 0.10%.

3.4.5. Savings in road infrastructure costs and emissions.

3.4.5.1. Due to the economic incentives provided by the proposed charging system substantial reductions in external costs can be expected. On the basis of the impact estimates on fleet composition, road transport demand and modal shift, reductions in both road damage and emissions on sensitive routes as a result of the differentiation and the proposed rates of user charges can be estimated.

3.4.5.2. Accordingly, with regard to infrastructure costs attributed to HGV and estimated as described earlier in §2.2.5.7, annual savings for the market reactions scenario in year 2005 have been estimated to be approximately 1.6 billion ecu, in the Member States that currently have or plan to introduce user charges³⁵. This represents a 13% reduction, compared to the base case³⁶. Almost all of the savings are a result of changed fleet composition. The effect of modal shift is not significant. Indicatively, if the same effect could be produced throughout the Union³⁷, a saving of 4 billion ecu could be expected. A reduced need for road maintenance work in the Union will reduce negative consequences of road work, notably congestion and traffic accidents.

³⁴ Based on a change in transport price of 0.6% with user charge or tolls only and 2% with sensitive route charges.

³⁵ B, DK, D, L, N and S. The estimates exclude A.

³⁶ Vehicle stock as in chapter 3.4.1, infrastructure costs based on an average of 0.15 ecu/km differentiated on vehicle types with the same damage factors and cost allocation as in the tax structure of Directive 93/89/EEC.

³⁷ Either through a generalized use of user charges or through an equivalent adjustment of toll rates.

3.4.5.3. With regard to emissions, as the Directive does not include any incentives to introduce new technology for the moment, the emissions are unchanged between the scenarios with market reactions and the base case. However, thanks to the compulsory standards the emissions are likely to be reduced by up to 15% in year 2005³⁸ compared to year 1996. The emissions can be further reduced by 3% in year 2005 if incentives are given for purchase of so called Euro III vehicles before they are mandatory and if a shift towards Euro III vehicles can start two years earlier, in 1999.

3.4.5.4. In addition, in an area where a charge for sensitive routes is levied the emissions are likely to be reduced by up to 1.5% extra on average in year 2005. Some routes may experience a much larger reduction in the emissions. If Member States introduce incentives towards use of cleaner vehicles in the sensitive route charges, then substantial reductions can be achieved.

3.4.6. Revenues from charges

3.4.6.1. The estimated revenues from the application of user charges on HGV are presented in the table below for the base case and the market reactions scenarios in 1998 and 2005. The underlying assumption is that the vehicle mix in the fleet composition described in § 3.4.1 is representative of the vehicles paying user charges.

3.4.6.2. As can be seen in the table, the likely revenue increase in 1998 when the new Directive and the proposed user charge rates will be applicable compared to the estimated revenue in that year on the basis of current user charge levels is approximately 23%. Given that the revenue estimates have not taken into account the effect of a possible shift towards shorter duration user charges, the increases in revenues in the two scenarios and years coincide with the increases in the weighted average of the levels of the user charges, shown in the table in § 3.4.1.

Table 6

Revenues from user charges in Member States that apply or plan to introduce User Charge

Model estimates	in million ecu			
	Base Case		Market reactions	
	1998	2005	1998	2005
Directive 93/89/EEC	878	1 100	-	-
Proposal	1 079	1 221	1 071	1 110
Compared to Directive 93/89/EEC	23%	11%	22%	1%

³⁸ Reduced emissions from HGV based on the following difference in emissions; non-Euro = 180, Euro I = 100, Euro II = 75 and "Euro III" = 50.

3.4.6.3. Given that as mentioned in § 3.4.5.2. infrastructure costs are likely to be reduced by approximately 1.6 billion ecu in the scenario with market reactions, it can be claimed that the budgetary benefit (equal to the saving of 1.6 becu and the revenue of 1.1 becu) from the proposal in the market reaction scenario will be 2.7 billion ecu in year 2005 compared to the 1.1 billion ecu (shown in italics) if the Directive 93/89/EEC is left unchanged.

3.4.6.4. As a base scenario, where other taxes are unchanged, the revenues from user charges, vehicle taxes and tolls can be estimated to be some 36.3 billion ecu in 1998. The changes now being proposed would result in this figure increasing to 37.0 billion ecu if all toll roads add an external cost component on the charge. The increase will be 0.7 billion ecu or 2% of the revenues. No sensitive routes are included in the estimate.

Table 7

Estimated revenues in 1998

in billion ecu

	Fuel excise duty	Vehicle tax	Tolls	User Charges	Total
Dir 93/89/EEC	28	5.3	2.1	0.88	36.3
Proposal	28	5.3	2.6	1.08	37

Based on an annual increase of 3.5% on the vehicle stock of 1995.

3.4.7. Effect on competitiveness

3.4.7.1. Transport, and in particular road transport, is an important factor contributing to the competitiveness of industry, not only because it enters into the cost structure of practically all industrial sectors but also because it has a direct impact on the reliability and quality³⁹ of product deliveries both at the input and the output phases of the industrial process. An efficient transport system should be able to provide the required level of service at the lowest cost to society. On the contrary, the opposite is to be expected from an inefficient transport system which, in the final analysis, is synonymous to badly managed and wasted resources. This waste can take the form of unnecessary road damage, underutilization of some parts of infrastructure and overutilization of others, excessive damage to natural resources and unnecessary delays.

³⁹ Time and other conditions.

- 3.4.7.2. However, waste has a price. An efficient charging system, where charges on users are close to the costs⁴⁰ they are responsible for, is expected to reduce waste and thereby improve the overall efficiency of the transport system. The benefits to the industry and its competitiveness from an efficient transport system are expected to outweigh the disadvantage from possible higher transport prices.
- 3.4.7.3. In chapter 3.4.4 the changed price structure was analysed both in a situation where the revenues from the proposed charges are not reimbursed and in a situation where the revenues are returned to the industry. In the latter case the average cost is unchanged for the industry as a whole but the cost burden is allocated to the branches which use more road transport. In other words, the results of the proposed changes will be in general neutral or positive and only for the heaviest road users will there be any significant increase in costs.
- 3.4.7.4. Furthermore, the expected more rational utilization of the infrastructure would lead to reduced delays from congestion as well as less road repair and maintenance works as a result of less damaging vehicle configurations. The benefits from transport time gains anticipated are expected to benefit the competitiveness of the European industry.
- 3.4.7.5. Finally, the emphasis given in this proposal to more territorial charges, that is the user charges and the tolls, and away from the least territorial ones, much as vehicle taxes, is expected to have a positive impact on the position of the Community road haulage industry with regard to competition from third country hauliers. Possible negative reactions from the latter would have to be dealt with in the framework of existing agreements, in the light of reciprocity and non discrimination. Also, due to the territorial character of the charges proposed, the price related competitiveness of goods produced inside the Community is not likely to be affected.

3.4.8. Location, concentration of production and geographic cohesion

- 3.4.8.1. Changes in transportation costs have in the longer term an effect on the location and concentration of production. This is why it is essential that the process of adjustment toward full recovery of costs is gradual. As already shown in chapters 3.4.2 and 3.4.4 the effects of the proposal on transport costs and product prices are both limited and diverse, depending on certain characteristics of the industrial sectors examined. Consequently, whether the end result will be a concentration of production or, on the contrary, a decentralization will depend on the specific characteristics of each particular industrial sector.

⁴⁰ Including the costs of wasted resources so far been borne by others or the society as a whole.

- 3.4.8.2. The proposal aims to ensure that there is a better linkage between charges for road use and the level of use. It is inevitable that a policy of relating charges more directly to use will have a greater impact on costs where greater use is made of the roads. As a general rule, this will be reflected in a greater increase in the prices of goods the greater the distance which those goods must travel.
- 3.4.8.3. However, compared to short distance distribution, long distance road transport usually has greater possibilities of substitution by other modes of transport. It is therefore possible that some of the transport costs could be offset through a modal change.
- 3.4.8.4. Furthermore, as indicated in chapter 3.4.4 and § 3.4.2.5, the effects of the proposed charges on transport costs and on product prices will also depend on the cost structure of transport operators and of individual products. In addition, the effects will depend on the routes used for the transport of the goods. For example, if a lorry must pass through a sensitive route which is charged at the maximum level of 15 ecu per day the likely additional cost of a Greece to Northern Europe journey would be around 1.5%. On the contrary, the likely additional cost of a 200-km journey through the same region would be around 5%.
- 3.4.8.5. Both the user charges and the charges for sensitive routes will impact most heavily, as a percentage of overall transport cost, in the region in which they are applied. This is because both would be imposed on all motorway journeys in those regions.
- 3.4.8.6. Finally, because of the relationship set between the different duration user charges, there is no longer any significant disbenefit to hauliers who pay shorter period user charges⁴¹ as opposed to annual ones.
- 3.4.8.7. As a result of all of these factors, the effects of this proposal will not be damaging to the cohesion of the Community. In drawing up future proposals for introducing a common system of road charging, when appropriate, following the report on the implementation of the proposed Directive, the Commission will take account of the potential impact of measures on peripheral regions. In particular, the report will evaluate the possible regional consequences and the potential spatial impact on production structures both in the economy as a whole and with regard to SMEs in the Union that may result from a move towards a more use based transport pricing system.

⁴¹ Who are more likely to come from peripheral Member States.

3.4.9. Certification

The additional differentiation which this proposal envisages will need to be easily and cheaply verified. Details relating to the emission standards of lorries are not contained in their registration documents, nor do these documents contain any detail on the form of suspension used. Commission Regulation 3298/94 provides for a unified form which certifies the level of NOx emissions from lorries. Work is underway for amending this Regulation to include in the aforementioned form the environmental category (Euro I or II) of a vehicle. Checks on the appropriate level of user charges may then be quickly performed. Since the damage category depends on the vehicle combination used, in case of a roadside control, it will have to be determined on the basis of Annex 2 to the proposal.

3.4.10. Administrative burden

3.4.10.1. A certain increase in the administrative burden for Member States' authorities as a result of the proposed changes in the charging system is undeniable due to the increased differentiation in the charges and the incentives for the use of shorter period user charges. However, this increase in administrative costs is expected to be very small relative to the overall receipts and associated benefits in terms of the objectives of the exercise.

3.4.10.2. Furthermore, there is no reason to expect that the process of paying user charges in a revised charging system to be any more lengthy than with the existing system. In addition, while it will be necessary for vehicles to carry certification that proves that the correct level of charge has been paid, obtaining this certification should not impose a significant additional burden on haulage industry.

ANNEX 1

Levels of existing User Charges (Eurovignette) and proposed maximum User Charges

(ecu pa)

Axles		GVW		Eurovignette	Air suspension			Other		
Truck	Trailer	lower	upper		nonEuro	EI	EII	nonEuro	EI	EII
2	0	12	13	750	1000	850	750	1000	850	750
2	0	13	14	750	1000	850	750	1000	850	750
2	0	14	15	750	1000	850	750	1000	850	750
2	0	15	18	750	1000	850	750	1000	850	750
3	0	15	17	750	1000	850	750	1000	850	750
3	0	17	19	750	1000	850	750	1000	850	750
3	0	19	21	750	1000	850	750	1000	850	750
3	0	21	23	750	1000	850	750	1000	850	750
3	0	23	25	750	1000	850	750	1500	1350	1250
3	0	25	26	750	1000	850	750	1500	1350	1250
4	0	23	25	1250	1000	850	750	1000	850	750
4	0	25	27	1250	1000	850	750	1000	850	750
4	0	27	29	1250	1000	850	750	1500	1350	1250
4	0	29	31	1250	1500	1350	1250	1500	1350	1250
4	0	31	32	1250	1500	1350	1250	1500	1350	1250
2	1	12	14	750	1000	850	750	1000	850	750
2	1	14	16	750	1000	850	750	1000	850	750
2	1	16	18	750	1000	850	750	1000	850	750
2	1	18	20	750	1000	850	750	1000	850	750
2	1	20	22	750	1000	850	750	1000	850	750
2	1	22	23	750	1000	850	750	1000	850	750
2	1	23	25	750	1000	850	750	1000	850	750
2	1	25	28	750	1000	850	750	1000	850	750
2	2	23	25	1250	1000	850	750	1000	850	750
2	2	25	26	1250	1000	850	750	1000	850	750
2	2	26	28	1250	1000	850	750	1000	850	750
2	2	28	29	1250	1000	850	750	1000	850	750
2	2	29	31	1250	1000	850	750	1500	1350	1250
2	2	31	33	1250	1500	1350	1250	1500	1350	1250
2	2	33	36	1250	1500	1350	1250	2000	1850	1750
2	2	36	38	1250	1500	1350	1250	2000	1850	1750
2	3	36	38	1250	1500	1350	1250	1500	1350	1250
2	3	38	40	1250	1500	1350	1250	2000	1850	1750
3	2	36	38	1250	1500	1350	1250	1500	1350	1250
3	2	38	40	1250	1500	1350	1250	2000	1850	1750
3	2	40	44	1250	2000	1850	1750	2000	1850	1750
3	3	36	38	1250	1000	850	750	1000	850	750
3	3	38	40	1250	1000	850	750	1500	1350	1250
3	3	40	44	1250	1500	1350	1250	1500	1350	1250

Changes in User Charges - proposed (maximum) levels compared to the Eurovignette

(ecu pa)

Axles		GVW		Air suspension			Other suspension		
Truck	Trailer	lower	upper	nonEuro	EI	EII	nonEuro	EI	EII
2	0	12	13	250	100	0	250	100	0
2	0	13	14	250	100	0	250	100	0
2	0	14	15	250	100	0	250	100	0
2	0	15	18	250	100	0	250	100	0
3	0	15	17	250	100	0	250	100	0
3	0	17	19	250	100	0	250	100	0
3	0	19	21	250	100	0	250	100	0
3	0	21	23	250	100	0	250	100	0
3	0	23	25	250	100	0	750	600	500
3	0	25	26	250	100	0	750	600	500
4	0	23	25	-250	-400	-500	-250	-400	-500
4	0	25	27	-250	-400	-500	-250	-400	-500
4	0	27	29	-250	-400	-500	250	100	0
4	0	29	31	250	100	0	250	100	0
4	0	31	32	250	100	0	250	100	0
2	1	12	14	250	100	0	250	100	0
2	1	14	16	250	100	0	250	100	0
2	1	16	18	250	100	0	250	100	0
2	1	18	20	250	100	0	250	100	0
2	1	20	22	250	100	0	250	100	0
2	1	22	23	250	100	0	250	100	0
2	1	23	25	250	100	0	250	100	0
2	1	25	28	250	100	0	250	100	0
2	2	23	25	-250	-400	-500	-250	-400	-500
2	2	25	26	-250	-400	-500	-250	-400	-500
2	2	26	28	-250	-400	-500	-250	-400	-500
2	2	28	29	-250	-400	-500	-250	-400	-500
2	2	29	31	-250	-400	-500	250	100	0
2	2	31	33	250	100	0	250	100	0
2	2	33	36	250	100	0	750	600	500
2	2	36	38	250	100	0	750	600	500
2	3	36	38	250	100	0	250	100	0
2	3	38	40	250	100	0	750	600	500
3	2	36	38	250	100	0	250	100	0
3	2	38	40	250	100	0	750	600	500
3	2	40	44	750	600	500	750	600	500
3	3	36	38	-250	-400	-500	-250	-400	-500
3	3	38	40	-250	-400	-500	250	100	0
3	3	40	44	250	100	0	250	100	0

Road damage differentiation

Present value of taxes and charges for a 40t Euro II vehicle (8%, 10 years).

	Proposal	Directive 89/93/EEC	Changes %
2+3 air	11229	11826	-5%
2+3 ord	15604	13065	19%
3+2 air	10888	11417	-5%
3+2 ord	15202	12583	21%
3+3 air	6271	9883	-37%
3+3 ord	10238	10626	-4%

Environmental differentiation

Present value of taxes and charges for a 40t vehicle with air suspension (8%, 10 years)

	Proposal	Directive 89/93/EEC	Changes %
2+3air EII	11229	11826	-5%
2+3air EI	12181	11826	+3%
3+2 air EII	10888	11417	-5%
3+2 air EI	13822	11417	+21%
3+3 air EII	6271	9883	-37%
3+3 air EI	7069	9883	-28%

Branch	A ⁴²	B	C	D	E
	SSC reimbursement				
	Cost sensitivity to road transport price (%)	User Charge (% price increase)	User charge + Sensitive route (% price increase)	User Charge (% price increase)	User charge + Sensitive route (% price increase)
Agricultural forestry and fishery products	2,50	0,005	0,038	0,001	0,010
Coal and coal briquettes	2,35	0,005	0,035	0,002	0,013
Lignite and lignite briquettes	1,16	0,002	0,017	0,001	0,007
Products of coking	2,87	0,006	0,043	0,003	0,023
Crude petroleum	0,44	0,001	0,007	0,000	0,003
Refined petroleum products	1,17	0,002	0,018	0,001	0,010
Natural gas	1,30	0,003	0,019	0,002	0,013
Water	0,89	0,002	0,013	0,000	-0,002
Electric power	1,26	0,003	0,019	-0,001	-0,004
Manu- factured gases	0,81	0,002	0,012	0,001	0,006
Steam, hot water, com- pressed air	1,61	0,003	0,024	0,001	0,004
Nuclear fuels	1,81	0,004	0,027	0,002	0,014
Iron ore and ECSC iron and steel products	5,85	0,012	0,088	0,008	0,057
Non-ECSC iron and steel products	5,90	0,012	0,089	0,008	0,063
Non-ferrous metal ores, non-ferrous metals	3,19	0,006	0,048	0,003	0,025
Cement, lime plaster	7,71	0,015	0,116	0,013	0,099
Glass	5,19	0,010	0,078	0,008	0,058
Earthenware and ceramic products	6,20	0,012	0,093	0,010	0,072
Other minerals derived products	8,37	0,017	0,126	0,013	0,101
Chemical products	3,97	0,008	0,060	0,002	0,018
Metal products	3,94	0,008	0,059	0,002	0,016
Agricultural and industrial machinery	3,09	0,006	0,046	0,001	0,005
Office machines etc.	2,70	0,005	0,040	0,002	0,014
Electrical goods	2,81	0,006	0,042	0,000	0,002
Motor vehicles and engines	3,46	0,007	0,052	0,001	0,011
Other transport equipment	2,16	0,004	0,032	0,000	0,000
Meat and meat products	3,32	0,007	0,050	0,003	0,022
Milk and dairy products	3,80	0,008	0,057	0,004	0,028
Other food products	4,17	0,008	0,063	0,004	0,028
Beverages	3,45	0,007	0,052	0,004	0,032
Tobacco products	0,72	0,001	0,011	0,001	0,004
Textiles and clothing	2,66	0,005	0,040	0,000	-0,002
Leathers, leather and skin goods, footwear	3,25	0,007	0,049	0,003	0,026
Timber and wooden furniture	3,47	0,007	0,052	0,003	0,023
Pulp, paper, board	4,12	0,008	0,062	0,005	0,040
Paper goods, products of printing	3,16	0,006	0,047	0,002	0,018
Rubber and plastic products	3,38	0,007	0,051	0,003	0,019
Other manu- facturing products	2,80	0,006	0,042	0,003	0,022
Building and civil engineering works	4,43	0,009	0,066	-0,001	-0,004
Recovery and repair services	2,65	0,005	0,040	0,002	0,011
Wholesale and retail trade	3,92	0,008	0,059	-0,004	-0,028
Lodging and catering services	2,53	0,005	0,038	0,001	0,008
Railway transport services	2,46	0,005	0,037	0,001	0,009
Road transport services	101,79	0,204	1,527	0,201	1,505
Inland waterways services	2,11	0,004	0,032	0,002	0,018
Maritime and coastal transport services	2,13	0,004	0,032	0,002	0,016
Air transport services	2,12	0,004	0,032	0,002	0,017
Auxiliary transport services	4,63	0,009	0,069	0,007	0,049
Communications	0,84	0,002	0,013	-0,001	-0,011
Credit and insurance	1,82	0,004	0,027	-0,017	-0,129
Business services provided to enterprises	1,00	0,002	0,015	-0,005	-0,038
Renting of immovable goods	0,44	0,001	0,007	-0,001	-0,005
Market services ed., health etc.	1,16	0,002	0,017	-0,003	-0,026
General public services	1,27	0,003	0,019	-0,015	-0,110
Non-market services	0,99	0,002	0,015	-0,012	-0,086
Total uses	4,08	0,008	0,061	0,000	0,000

⁴² Percentage change in cost of sector due to a 100 percent change in road transport costs. Road transport itself faces a price increase of greater than 100%. There is a direct price increase of 100%; in addition the prices of inputs to road transport also increase as they themselves make use of road transport services, leading to an overall price increase of 101.8 percent.

EXPLANATORY NOTE TO THE TABLE

The table shows how the proposed Directive will affect the price of output from each of the 54 sectors listed. The table can be read as follows:

Column A shows by what percentage the price of output in a particular sector increases if the cost of road transport increases by 100%. This column captures both the direct and indirect effect of transport cost increases. The direct effect is the increase in the cost of transport services bought by the sector itself; the indirect effect is the rise in price of other inputs due to an increase in their costs of production as a result of higher transport costs.

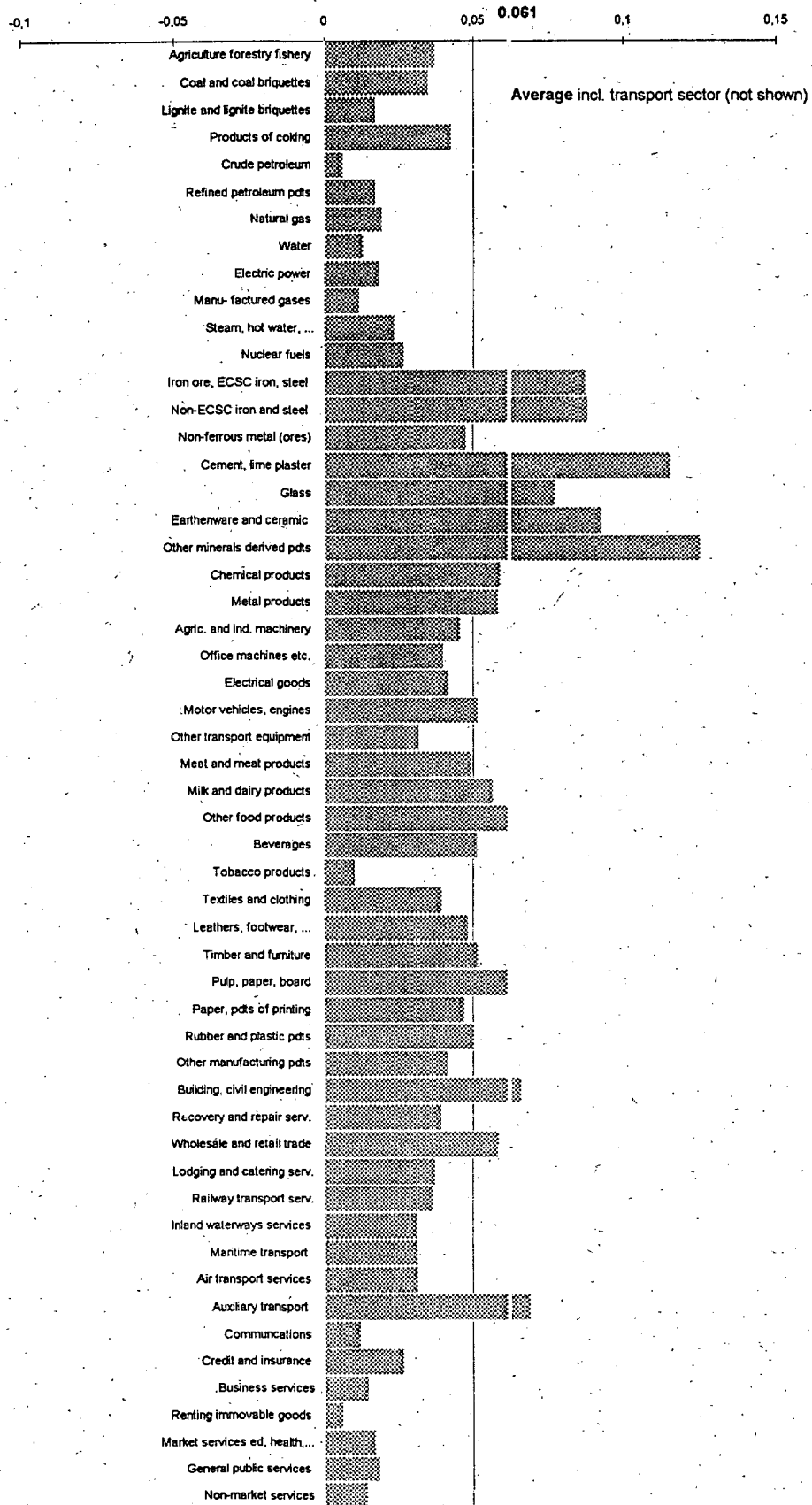
Column B reports the effect of higher user charges on output prices. As higher user charges are expected to increase the cost of transport by 0.2% (paragraph 3.4.2.2), the figures in column B are obtained by simply multiplying column A by 0.2%. For example, user charges would raise the price of agricultural produce by 0.005% (= 2.5% * 0.2%).

Column C shows the impact on output prices of higher user charges together with sensitive route charges. These measures are expected to increase transport costs by 1.5% (paragraph 3.4.2.5), so the effect on output prices is obtained by multiplying column A by 1.5%.

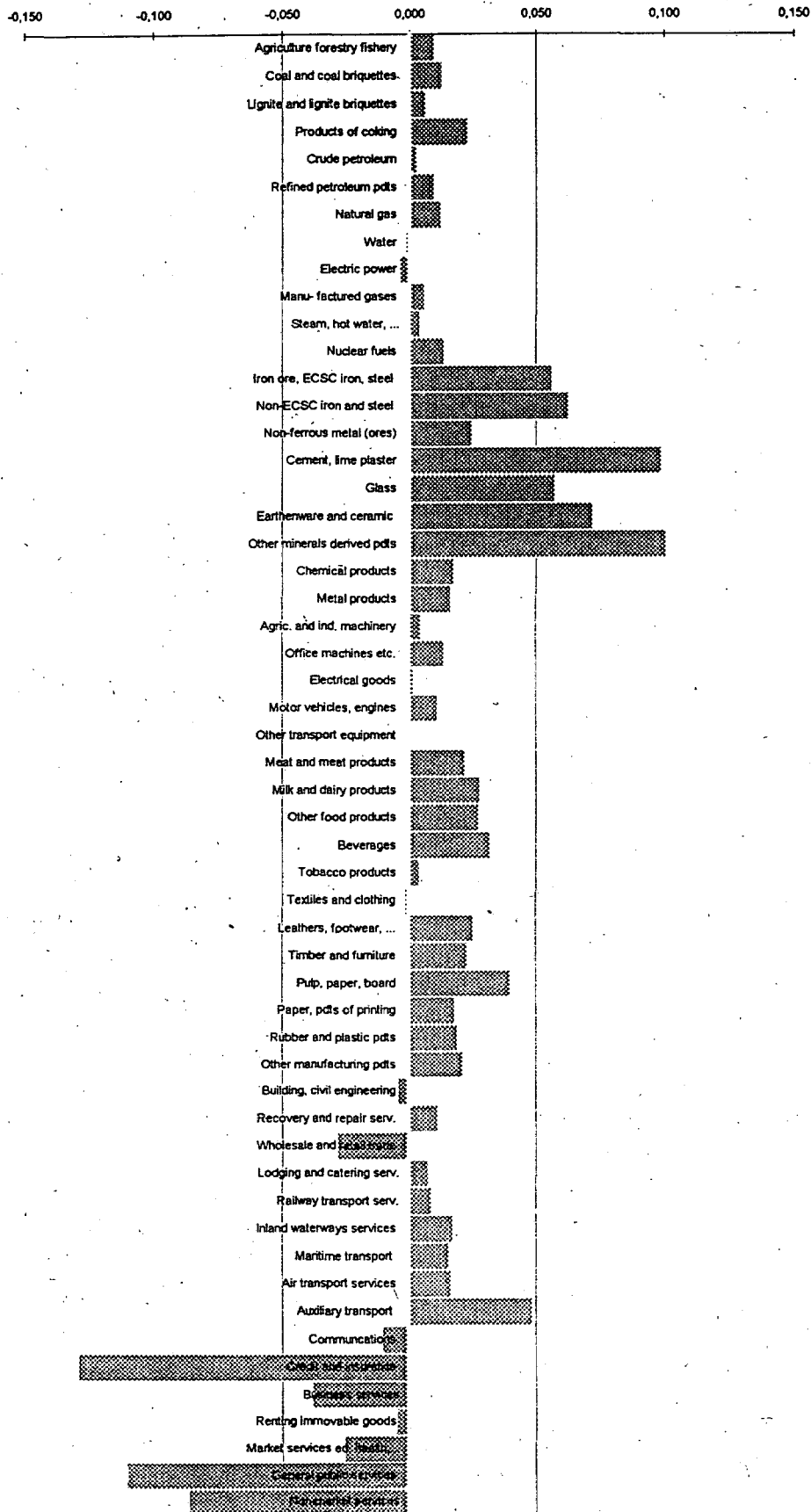
It can be seen from columns B and C that no sector is dramatically affected by the increase in transport costs. Even when both user charges and sensitive route charges are used, the worst hit sector (mineral and derived products) faces an overall cost increase of barely 0.13%. (This means that produce from this sector originally costing 1 000 ecu would now need to be sold at 1 001.3 ecu to keep the sector's profits identical.)

It should be stressed that the cost increases reported in columns A and B are calculated on the assumption that the government makes no use of the revenue raised. In practice, the money may be used to reduce other taxes. Columns D and E of the table show the net price effect if the revenue raised is reimbursed via the social security system. The worst hit sector is still mineral derived products, but the net price increase is now only 0.10%. With reimbursement some sectors, mainly service industries, experience a reduction in product prices (negative numbers).

Chart 1:
Eurovignette + Corridor charges (% price increase, no reimbursements)



**Chart 2:
Eurovignette + Corridor charges (% price increase with SSC reimbursement)**



Proposal for a
COUNCIL DIRECTIVE

on the charging of heavy goods vehicles for the use of
certain infrastructures

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 75(1) thereof,

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the Economic and Social Committee²,

Acting in accordance with the procedure laid down in Article 189c of the Treaty, in cooperation with the European Parliament³,

1. Whereas the efficient utilization of the transport system in the Community depends *inter alia* on the establishment of fair and efficient pricing in transport, in line with the "user-pays" principle ;
2. Whereas the application of this principle requires the establishment of an appropriate legal framework, which would allow all Member States to recover their real road infrastructure costs as well as charge for external costs, where appropriate;
3. Whereas Member States should ensure the functioning of the internal market and avoid obstacles to the free movement of goods or services within the Community; whereas the proper functioning of the internal market in transport calls for a reduction of the differences in the conditions of competition in goods road transport due to unjustifiable divergences in the levels of transport-related charges, including taxes and other relevant levies; whereas, therefore, vehicle taxes and user-charge rates should be set within a maximum and a minimum level;
4. Whereas to ensure sustainable transport in the Community it is important to encourage the use of more environmentally friendly means for the transportation of goods;
5. Whereas those objectives should be achieved in stages in order to avoid upsetting the stability of the road transport market;

1 OJ No C

2 OJ No C

3 OJ No

6. Whereas a degree of harmonization of levy systems has already been achieved through the adoption of Council Directive 92/81/EEC of 19 October 1992 on the harmonization of the structures of excise duties on mineral oils⁴, as last amended by Directive 94/74/EC⁵, and Directive 92/82/EEC of 19 October 1992 on the approximation of the rates of excise duties on mineral oils⁶, as amended by Directive 94/74/EC;
7. Whereas the Court of Justice of the European Communities, by its judgment of 5 July 1995 in Case C-21/94, *Parliament v Council*⁷, annulled Directive 93/89/EEC of 25 October 1993 on the application by Member States of taxes on certain vehicles used for the carriage of goods by road and tolls and charges for the use of certain infrastructures⁸, while preserving the effects of that directive until the adoption of new legislation in the matter; whereas, therefore, Directive 93/89/EEC should be replaced by this Directive;
8. Whereas under present circumstances the adjustment of national levy systems should be confined to commercial vehicles of more than a certain gross laden weight;
9. Whereas minimum rates for vehicle taxes need not apply in Member States where a user charge system is in operation;
10. Whereas the use of more environment- and road-friendly vehicles should be encouraged through greater differentiation of taxes or charges, provided that such differentiation does not interfere with the functioning of the internal market;
11. Whereas certain local domestic transport operations with little impact on the Community transport market are at present subject to reduced rates of vehicle tax; whereas, in order to ensure smooth transition, Member States should be authorized to lay down temporary derogations from the minimum rates;
12. Whereas Member States should be permitted to apply reduced rates or exemptions of vehicle taxes in the case of vehicles whose use is not liable to affect the Community transport market;
13. Whereas existing distortions of competition cannot be eliminated solely by harmonizing taxes or fuel excise duties; whereas, however, until technically and economically more appropriate forms of levy are in place, such distortions may be attenuated by the possibility of retaining or introducing tolls and/or user charges for the use of motorways; whereas, in addition, Member States should be allowed to levy charges for the use of bridges, tunnels, mountain passes and sensitive routes;

⁴ OJ No L 316, 31.10.1992, p. 12.

⁵ OJ No L 365, 31.12.1994, p. 46.

⁶ OJ No L 316, 31.10.1992, p. 19.

⁷ [1995] ECR I-1827.

⁸ OJ No L 279, 12.11.1993, p. 32.

14. Whereas the definition of "sensitive routes" should be decided by the Commission through a procedure involving an advisory committee composed of representatives of the Member States; whereas the availability of adequate service provided by other transport modes should be a prerequisite before a route can qualify as sensitive;
15. Whereas tolls and user charges should neither be discriminatory nor entail excessive formalities or create obstacles at internal borders; whereas, therefore, adequate measures should be taken to permit the payment of tolls and user charges at any time and with different current means of payment;
16. Whereas the rates of user charges should be based on the duration of the use made of the infrastructure in question and be as close as possible to the real costs caused by the road vehicles; whereas this should be pursued in the short term through the introduction of limited differentiation of the rates according to the damage caused to the infrastructure and the environment;
17. Whereas, in order to ensure that user charges and tolls are applied homogeneously, certain rules for determining their manner of application should be laid down, such as the characteristics of the infrastructure to which they are applicable, the infrastructure and external costs elements that their rates may cover and the maximum and minimum levels of certain rates; whereas in the case of tolls, their rates may also take into account a return on the capital invested at a rate attainable in similar investments;
18. Whereas two or more Member States should be allowed to cooperate for the purpose of introducing a common system of user charges, subject to compliance with some additional conditions;
19. Whereas, in accordance with the principle of proportionality, this Directive limits itself to the minimum required for the attainment of the objectives under the third paragraph of Article 3(b) of the Treaty;
20. Whereas a strict timetable should be set for reviewing the provisions of this Directive and considering adjustments to them, if necessary, with the aim of developing a more territorial levy system,

HAS ADOPTED THIS DIRECTIVE:

CHAPTER I

General provisions

Article 1

This Directive applies to vehicle taxes, tolls and user charges imposed on heavy goods vehicles, as defined in Article 2.

This Directive shall not affect vehicles carrying out transport operations exclusively in the non-European territories of the Member States.

It shall also not affect vehicles registered in the Canary Islands, Ceuta and Melilla, the Azores or Madeira and carrying out transport operations exclusively in those territories or between those territories and respectively, mainland Spain and mainland Portugal.

Article 2

For the purpose of this Directive:

- (a) "motorway" means a road specially designed and built for motor traffic, which does not serve properties bordering on it, and which:
 - (i) is provided, except at special points or temporarily, with separate carriageways for the two directions of traffic, separated from each other either by a dividing strip not intended for traffic or, exceptionally, by other means;
 - (ii) does not cross at grade with any road, railway or tramway track, or footpath;
 - (iii) is specifically designated as a motorway;
- (b) "toll" means payment of a specified amount for a vehicle travelling the distance between two points on the infrastructure referred to in Article 7(2); the amount shall be based on the distance travelled and the type of the vehicle;
- (c) "user charge" means payment of a specified amount conferring the right for a vehicle to use for a given period the infrastructures referred to in Article 7(2);
- (d) "vehicle" means a motor vehicle or articulated vehicle combination intended exclusively for the carriage of goods by road and having a maximum permissible gross laden weight of not less than 12 tonnes;
- (e) "Euro I vehicle" means a vehicle having the characteristics set out in line A of the table in section 8.3.1.1 of Annex I, to Council Directive 88/77/EEC⁹;
- (f) "Euro II vehicle" means a vehicle having the characteristics set out line B of the table in section 8.3.1.1 of Annex I to Directive 88/77/EEC;
- (g) "sensitive route" means an infrastructure where tolls or user charges may be levied in accordance with Article 7(a), which meets the criteria mentioned in Article 9(2) and which has been defined in accordance with the procedure set out in Article 10;
- (h) "external costs" are the costs of congestion, air pollution and noise;

⁹ OJ No L 36, 9.2.1988, p. 33: Directive as amended by Directive 91/542/EEC (OJ No L 295, 25.10.1991, p. 1).

- (i) "authorized transport operators" means those operators complying with the provisions of Council Directive 95/18/EEC¹⁰ in the case of railway undertakings and Council Directive 87/540/EEC¹¹ in the case of inland waterway carriers;
- (j) "open access" means access within the meaning of Council Directive 91/440/EEC¹² for railways, and of Council Regulations (EEC) No 2919/85¹³, (EEC) No 3921/91¹⁴, and (EC) No 1356/96¹⁵ for inland navigation.

CHAPTER II

Vehicle taxation

Article 3

1. The vehicle taxes referred to in Article 1 are as follows:

- Belgium: taxe de circulation sur les véhicules automobiles/
verkeersbelasting op de autovoertuigen,
- Denmark: vægtafgift af motorkøretøjer m.v.,
- Germany: Kraftfahrzeugsteuer,
- Greece: Τέλη κυκλοφορίας
- Spain:
 - (a) impuesto sobre vehículos de tracción mecánica
 - (b) impuesto sobre actividades económicas (solely as regards the amount of the levies charged for motor vehicles),
- France:
 - (a) taxe spéciale sur certains véhicules routiers
 - (b) taxe différentielle sur les véhicules à moteur,
- Ireland: vehicle excise duty,

¹⁰ OJ No L 143, 27.6.1995, p. 70.

¹¹ OJ No L 322, 12.11.1987, p. 20.

¹² OJ No L 237, 24.8.1991, p. 25.

¹³ OJ No L 280, 22.10.1985, p. 4.

¹⁴ OJ No L 373, 31.12.1991, p. 1.

¹⁵ OJ No L 175, 13.7.1996, p. 7.

- Italy:
 - (a) tassa automobilistica
 - (b) addizionale del 5 % sulla tassa automobilistica,
 - Luxembourg: taxe sur les véhicules automoteurs,
 - Netherlands: motorrijtuigenbelasting,
 - Austria: Kraftfahrzeugsteuer,
 - Portugal:
 - (a) imposto de camionagem
 - (b) imposto de circulação,
 - Finland: moottoriajoneuvovero/motorfordonsskatt
 - Sweden: Fordonsskatt
 - United Kingdom: vehicle excise duty.
2. Member States which replace any tax listed in paragraph 1 with another tax of the same kind shall notify the Commission, which shall make the necessary amendments.

Article 4

Procedures for levying and collecting the taxes referred to in Article 3 shall be determined by each Member State.

Article 5

As regards vehicles registered in the Member States, the taxes referred to in Article 3 shall be charged solely by the Member State of registration.

Article 6

1. Whatever the structure of the taxes referred to in Article 3, Member States shall set the rates so as to ensure that the tax rate for each vehicle category or subcategory referred to in Annex I is not lower than the minimum and not higher than the maximum laid down in that Annex.

However, Member States may levy vehicle taxes below these minimum rates provided that they are applying a user-charge system in accordance with this Directive.

Vehicle taxes for non-Euro vehicles shall be at least 10% higher than those for equivalent Euro I vehicles. Tax rates set for Euro I vehicles shall be at least 10% higher than those for equivalent Euro II vehicles.

2. Member States may apply reduced rates or exemptions for:
 - (a) vehicles used for national or civil defence purposes, by fire and other emergency services, and by the police, and vehicles used for road-maintenance;
 - (b) vehicles which travel only occasionally on the public roads of the Member State of registration and are used by natural or legal persons whose main occupation is not the carriage of goods, provided that the transport operations carried out by these vehicles do not cause distortions of competition, and subject to the Commission's agreement.
3. Subject to the review mentioned in Article 13, Member States may apply until 1 July 1998 special derogations for vehicles with a maximum of three axles, engaged solely in national local transport.
4. In accordance with the procedure laid down in Article 10, a Member State may be authorized to maintain further exemptions from or reductions in taxes on vehicles on the grounds of specific policies of a socio-economic nature or linked to that State's infrastructure. Such exemptions or reductions may apply only to vehicles registered in that Member State which carry out transport operations exclusively inside a well-defined part of its territory.
5. Without prejudice to the second subparagraph of paragraph 1 or to paragraphs 2, 3 and 4 of this Article or to Article 6 of Council Directive 92/106/EEC¹⁶, Member States may not grant any exemption from, or any reduction in, the taxes referred to in Article 3 which would render the chargeable tax lower than the minimum referred to in paragraph 1 of this Article.

CHAPTER III

Tolls and user charges

Article 7

1. Member States may maintain or introduce tolls and/or user charges under the conditions set out in paragraphs 2 to 11.
2. Tolls and user charges shall be imposed only on users of: bridges; tunnels; mountain passes; sensitive routes; and motorways or other multi-lane roads with characteristics similar to motorways.

However, in a Member State where no general network of motorways or dual carriageways with similar characteristics exists, tolls and user charges may be imposed on users of the highest category of road in that State.

¹⁶ OJ No L 368, 17.12.92, p. 38.

Following consultations with the Commission, and in accordance with the procedure laid down in the Council Decision of 21 March 1962¹⁷, tolls and user charges may also be imposed on users of other sections of the primary road network, particularly where there are safety reasons for doing so.

Following consultations with the Commission, and in accordance with the procedure laid down by the Decision of 21 March 1962, special arrangements for border areas may be made by the Member States concerned.

3. Tolls and user charges may not both be imposed at the same time for the use of a single road section. However, Member States may also impose tolls on networks where user charges are levied, for the use of bridges, tunnels, mountain passes and sensitive routes.
4. Without prejudice to paragraph (11) of this Article or to Article 9, tolls and user charges may not discriminate, directly or indirectly, on the grounds of the nationality of the haulier or the origin or destination of the vehicle.
5. Tolls and user charges shall be applied and collected and their payment monitored in such a way as to cause as little hindrance as possible to the free flow of traffic and avoid any mandatory controls or checks at the Community's internal borders. To this end, Member States shall cooperate in establishing methods for enabling hauliers to pay user charges 24 hours a day, using all common means of payment, inside and outside the Member States in which they are applied. Member States shall provide adequate facilities at the points of payment for tolls and user charges so as to maintain normal road-safety standards.
6. As from 1 January 1998 user charges, including administrative costs, for all vehicle categories shall be set by the Member State concerned at a level that is between 50% and 100% of the maximum rates laid down in Annex III for the different categories of vehicles as indicated in Annexes II and III. Whatever level is chosen, the charges for individual vehicle categories must be in the same ratio to each other as the maximum rates in Annex III.

On 1 January 2001 and every second year thereafter these maximum rates shall be reviewed. When necessary, the Commission shall make proposals for appropriate adjustments and the Council shall act on them, in accordance with the conditions laid down in the Treaty.

7. User-charge rates shall be in proportion to the duration of the use made of the infrastructure.

¹⁷ OJ No 23, 3.4.1962, p. 720/62; Decision as amended by Council Decision of 22 November 1973 (OJ No L 347, 17.12.1973, p. 48).

The payment of user charges shall be possible on an annual, monthly, weekly and daily basis, at rates equal to 1/1, 1/12, 1/50 and 1/250 respectively of the annual rate in each vehicle category.

A Member State may apply only annual rates for vehicles registered in that State.

8. Toll rates shall be set so that the resulting revenues do not exceed the costs of constructing, operating and developing the infrastructure on which these tolls are levied, plus a rate of return attainable in similar investment projects. In addition, Member States may add an external cost element at a level reflecting the corresponding external costs, up to a maximum of ECU 0.03 per kilometre.
9. In accordance with the procedure laid down in Article 10, Member States may be authorized to charge external costs on sensitive routes, above the level provided for in paragraph 8, on presentation of the justifications provided for in Article 9(1). In no case may the external cost component exceed ECU 0.5 per kilometre.

On sensitive routes, where no tolls are levied, Member States may be authorized, in accordance with the procedure laid down in Article 10, to impose a specific daily charge for external costs, on the basis of the justifications provided for in Article 9(1), up to a maximum daily rate of ECU 15.
10. The identification of the sensitive routes referred to in paragraphs (3) and (9) of this Article shall be made in accordance with the procedure laid down in Article 10, and in conformity with the criteria laid down in Article 9(2).
11. Each Member State may ensure that the emission and road-damage classification of the vehicles registered in their territory can be readily identified. In the absence of a relevant document to that effect, Member States may apply charges as for the non-Euro vehicles and damage class III vehicles.

Article 8

1. Two or more Member States may cooperate in introducing a common system for user charges applicable to their territories as a whole. In that case, those Member States shall ensure that the Commission is closely involved therein and in the system's subsequent operation and possible amendment.
2. A common system shall be subject to the following conditions in addition to those in Article 7:
 - (a) the common user-charge rates shall be set by the participating Member States at levels that are not higher than the maximum or lower than the minimum rates referred to in Article 7(6), (7), and (9);
 - (b) payment of the common user charge shall give access to the network as defined by the participating Member States in accordance with Article 7(2);
 - (c) other Member States may join the common system;

- (d) a scale shall be finalized by the participating Member States whereby each of them shall receive a fair share of the revenues accruing from the user charge.

Article 9

1. For the purpose of defining sensitive routes and for determining the charges which apply on them in accordance with the procedure set out in Article 10, Member States shall provide the Commission with all relevant data as well as their justification of the charges proposed. In the justification of the charges proposed, the following should be described: the method and calculation which have been used to set the rates; measures taken to reduce the relevant external costs from all road users in the area; and measures taken to combat air pollution from all sources in the area.
2. The criteria which shall apply for the determination of the sensitive routes, are, as appropriate: those used for assessing whether a motorway is congested and/or whether traffic on it contributes significantly to poor air quality and/or noise pollution in its proximity, in particular in zones and urban areas defined on the basis of Article 2 of Directive [...] ¹⁸ on ambient air quality assessment and management. Supplementary conditions that shall be met are: the availability of adequate service provided by other transport modes, including open and non-discriminatory access to infrastructure for authorized transport operators; and the existence of measures to combat air pollution from all sources in the area.

Article 10

1. The Commission shall be assisted by the advisory committee created under Council Decision 65/270/EEC ¹⁹ and chaired by the representative of the Commission.
2. The representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit which the Chairman may lay down according to the urgency of the matter, if necessary by taking a vote.

The opinion shall be recorded in the minutes; in addition, each Member State shall have the right to ask to have its position recorded in the minutes.

The Commission shall take the utmost account of the opinion delivered by the committee. It shall inform the committee of the manner in which its opinion has been taken into account.

¹⁸ Common Position (EC) No 5/96, OJ No C 59, 28.2.1996, p. 24.

¹⁹ OJ No 88, 24.5.1965, p. 1473/65.

CHAPTER IV

Final provisions

Article 11

This Directive shall not prevent the application by Member States of:

- (a) specific taxes or charges:
 - levied upon registration of the vehicle, or
 - imposed on vehicles or loads of abnormal weights or dimensions;
- (b) parking fees and specific urban traffic charges.

Article 12

For the purposes of this Directive, the value of the ecu in national currencies shall be fixed once a year. The rates to be applied shall be those in force on the first working day of October and published in the Official Journal of the European Communities, and they shall have effect from 1 January of the following calendar year.

Article 13

1. No later than 31 December 1999, the Commission shall present a report to the Council on the implementation of this Directive and on the effects of Directive 93/89/EEC, taking account of developments in technology and traffic congestion.

Member States shall forward the necessary information to the Commission no later than 1 June 1999 in order to enable the Commission to draw up the above report.

Where necessary, that report shall be accompanied by proposals aimed at introducing a common system of road charging shall be based on the principle of territoriality and shall take infrastructure and external costs as well as the potential regional impact into account. In that event the Council shall, by 30 June 2000, adopt a common system which shall enter into force on 1 January 2001 at the latest.

2. Member States introducing electronic toll and/or user-charging systems shall cooperate with the aim of achieving inter-operability between those systems. The Commission shall produce an interim report on these matters no later than 31 December 1998. In the report it will, amongst other things, examine the possibility offered by Electronic Fee Collection systems with automatic classification and enforcement.

Article 14

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 31 December 1997. They shall forthwith inform the Commission thereof.

When Member States adopt such provisions, these shall contain a reference to this Directive or shall be accompanied by such reference at the time of their official publication. The procedure for such a reference shall be adopted by Member States.

2. Member States shall communicate to the Commission the text of the main provisions of domestic law which they adopt in the field covered by this Directive. The Commission shall inform the other Member States thereof.

Article 15

Member States shall determine the sanctions for infringements of the national provisions adopted in the implementation of this Directive and shall take all necessary measures to ensure their enforcement. The sanctions thus established shall be effective, proportionate and deterrent. Member States shall notify those provisions to the Commission by 31 December 1997 at the latest, and all subsequent relevant amendments as soon as possible.

Article 16

This Directive shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Communities.

Article 17

This Directive is addressed to the Member States.

Done at Brussels,

For the Council
The President

RATES OF TAX TO BE APPLIED TO VEHICLESMotor vehicles

Number of axles and maximum permissible gross laden weight (in tonnes)		Minimum tax (in ECU/year)		Maximum tax (in ECU/year)
Not less than	Less than	Driving axle(s) with air suspension or recognized equivalent ¹	Other driving axle(s) suspension systems	All vehicle types
Euro II				
2 axles				
12	13	0	31	984
13	14	31	86	1 060
14	15	86	121	1 175
15	18	121	274	2 210
3 axles				
15	17	31	54	1 287
17	19	54	111	1 438
19	21	111	144	1 481
21	23	144	222	2 059
23	25	222	345	3 133
25	26	222	345	3 279
4 axles				
23	25	144	146	1 784
25	27	146	228	2 059
27	29	228	362	3 249
29	31	362	537	4 714
31	32	362	537	4 714

¹ Suspension recognized as equivalent in accordance with the definition in Annex III to Council Directive 92/7/EEC of 10 February 1992 amending Directive 83/3/EEC on weights, dimensions and certain technical characteristics of certain road vehicles (OJ No L 57, 2.3.1992, p. 29).

Vehicle combinations (articulated vehicles and vehicle trains)

Number of axles and maximum permissible gross laden weight (in tonnes)		Minimum tax (in ECU/year)		Maximum tax (in ECU/year)
Not less than	Less than	Driving axle(s) with air suspension or recognized equivalent ¹	Other driving axle(s) suspension systems	All vehicle types
		Euro II		
2+1 axles				
12	14	0	0	951
14	16	0	0	1 103
16	18	0	14	1 254
18	20	14	32	1 406
20	22	32	75	1 557
22	23	75	97	1 633
23	25	97	175	1 784
25	28	175	307	2 476
2+2 axles				
23	25	30	70	1 784
25	26	70	115	1 860
26	28	115	169	2 011
28	29	169	204	2 437
29	31	204	335	2 702
31	33	335	465	3 751
33	36	465	706	7 252
36	38	465	706	7 433
2+3 axles				
36	38	370	515	4 496
38	40	515	700	5 647
3+2 axles				
36	38	327	454	3 959
38	40	454	628	5 066
40	44	628	929	7 494
3+3 axles				
36	38	186	225	2 768
38	40	225	336	2 919
40	44	336	535	4 316

¹ Suspension recognized as equivalent in accordance with the definition in Annex III to Council Directive 92/7/EEC of 10 February 1992 amending Directive 83/3/EEC on weights, dimensions and certain technical characteristics of certain road vehicles (OJ No L 57, 2.3.1992, p. 29).

ANNEX II

Classes of vehicles referred to in Article 7(6) and Annex III.

The vehicles shall be classified in sub-categories I, II and III according to the degree of damage they cause to the road pavement in an increasing order (i.e. class I is the least damaging to the road infrastructure).

Motor vehicles

Driving axle(s) with air suspension or recognized equivalent ¹		Other driving axle(s) suspension systems		Damage Class
Number of axles and maximum permissible gross laden weight (in tonnes)		Number of axles and maximum permissible gross laden weight (in tonnes)		
Not less than	Less than	Not less than	Less than	
2 axles		2 axles		I
7.5	12	7.5	12	
12	13	12	13	
13	14	13	14	
14	15	14	15	
15	18	15	18	
3 axles		3 axles		
15	17	15	17	
17	19	17	19	
19	21	19	21	
21	23	21	23	
23	25	23	25	II
25	26	25	26	
4 axles		4 axles		I
23	25	23	25	
25	27	25	27	
27	29	27	29	
29	31	29	31	II
31	32	31	32	

¹ Suspension recognized as equivalent in accordance with the definition in Annex III to Council Directive 92/7/EEC of 10 February 1992 amending Directive 83/3/EEC on weights, dimensions and certain technical characteristics of certain road vehicles (OJ No L 57, 2.3.1992, p. 29).

Vehicle combinations (articulated vehicles and vehicle trains)

Driving axle(s) with air suspension or recognized equivalent ¹		Other driving axle(s) suspension systems		Damage Class
Number of axles and maximum permissible gross laden weight (in tonnes)		Number of axles and maximum permissible gross laden weight (in tonnes)		
Not less than	Less than	Not less than	Less than	
2 + 1 axles		2 + 1 axles		I
7.5	12	7.5	12	
12	14	12	14	
14	16	14	16	
16	18	16	18	
18	20	18	20	
20	22	20	22	
22	23	22	23	
23	25	23	25	I
25	28	25	28	
2 + 2 axles		2 + 2 axles		
23	25	23	25	
25	26	25	26	
26	28	26	28	
28	29	28	29	
29	31	29	31	
31	33	31	33	
33	36	33	36	
36	38	36	38	III
2 + 3 axles		2 + 3 axles		II
36	38	36	38	
38	40	38	40	III
3 + 2 axles		3 + 2 axles		II
36	38	36	38	
38	40	38	40	III
40	44	40	44	III
3 + 3 axles		3 + 3 axles		I
36	38	36	38	
38	40	38	40	II
40	44	40	44	II

¹ Suspension recognized as equivalent in accordance with the definition in Annex III to Council Directive 92/7/EEC of 10 February 1992 amending Directive 83/3/EEC on weights, dimensions and certain technical characteristics of certain road vehicles (OJ No. L 57, 2.3.1992, p. 29)

ANNEX III

1. Maximum amount of annual user charges referred to in Article 7(6)

ECU

	Damage Class III	Damage Class II	Damage Class I
NON-EURO	2000	1500	1000
EURO I	1850	1350	850
EURO II	1750	1250	750

2. Minimum amounts of annual user charges referred to in Article 7(6)

The minimum amounts of annual user charges are set at 50% the maximum amounts as specified above.

IMPACT ASSESSMENT FORM

The impact of the proposal on business with special reference to small and medium-sized enterprises

Title of the proposal: Proposal for a Council Directive on the charging of heavy goods vehicles for the use of certain infrastructures

Reference number:

The proposal

1. Taking account of the principle of subsidiarity, why is Community legislation necessary in this area and what are its main aims?

This proposal is for a Council Directive to replace Directive 93/89/EEC on the application by Member States of taxes on certain vehicles used for the carriage of goods by road and tolls and user charges for the use of certain infrastructures, which was annulled by the European Court of Justice on 5 July 1995 on grounds of procedural irregularities. To avoid a legal vacuum the effects of the Directive were to be maintained until the Council adopted new legislation.

The proposal is therefore necessary in order to fulfil this legal obligation.

The aim of the proposal is to establish an appropriate legal framework which would:

- * allow all Member States to recover, in a fair and efficient way, their real road infrastructure costs, as well as charge for external costs, where appropriate;
- * further the development and proper functioning of the internal market in transport by reducing the differences in the conditions of competition in goods road transport due to unjustifiable divergences in the levels of transport-related charges, including taxes and other relevant levies;
- * establish greater differentiation in charging instruments, in favour of the use of more environment and road friendly vehicles, and, thereby, promote sustainable transport in the Community.

The impact on business

2. Who will be affected by the proposal?

- which sectors of business ?

The proposal will affect road haulage operators using vehicles of a maximum gross laden weight equal to or exceeding 12 tonnes.

Wherever charges for external costs are introduced, they will affect all vehicles in proportion to the costs they impose.

- which sizes of business (what is the concentration of small and medium-sized firms)?

Road transport operators in the Community have an average of about 4.4 vehicles in operation. In 1990, 78% of road haulage undertakings in the Member States, for which data are available, had between 1 and 5 vehicles in operation, 11% between 6 and 10 and 11% had more than 11 vehicles. The concentration therefore of small and medium-sized firms in the road sector is high. However, all sizes of firms with vehicles of gross laden weight 12 tonnes and more will be affected by the measures contained in the proposal.

- are there particular geographical areas in the Community where these businesses are found ?

The situation is more or less the same in all Member States, with the exception of Austria, Belgium and the Netherlands where the number of undertakings with more than 5 vehicles is somewhat higher, whereas in the Mediterranean countries as well as in Sweden and Finland more than 90% of the operators own between 1 and 5 vehicles.

More elements on these issues can be found in chapter 3.4.8. of the Explanatory Memorandum to the proposal.

3. What will businesses have to do to comply with the proposal?

There are no additional obligations on business resulting from this proposal, but, to benefit from the proposed reduced user-charge rates for their "cleaner" vehicles, hauliers will need to have in their possession a document proving the environmental category (Euro I or II) of their vehicles. Acquiring this document, however, is not expected to create any significant new obligations on business. (see also chapter 3.4.9 and 3.4.10 of the Explanatory Memorandum).

4. What economic effects is the proposal likely to have?

- on employment

The proposal is expected to lead to significant savings in infrastructure maintenance costs and has the potential of substantially reducing congestion and environmental costs on sensitive routes. These cost savings will strengthen the competitiveness of the European industry, which, in turn, will lead to positive effects on employment.

- on investment and the creation of new businesses

The proposal is unlikely to affect the creation of new businesses, but it is expected to influence investments in rolling stock away from the most road damaging and air polluting types of vehicles towards the newer more road and environment friendly models. (see also chapter 3.4.1 of the Explanatory Memorandum).

- on the competitive position of businesses

The proposal seeks to harmonize the conditions of competition of Community hauliers through the promotion of a more territorial charging system, which is expected to lead to a reduction of the unjust differences in the economic/fiscal burden on them. See also chapter 3.4.7 of the Explanatory Memorandum.

5. Does the proposal contain measures to take account of the specific situation of small and medium-sized firms (reduced or different requirements etc)?

The proposal does not contain any specific provisions for small or medium-sized firms.

Consultation

6. List of organizations which have been consulted concerning the proposal and herewith is the outline of their main views:

A consultation meeting was held on the basis of a working document containing the main items of this proposal, which were not included in Directive 93/89/EEC. The following organizations were represented:

- the IRU (International Road Union),
- the UNICE,
- the CLECAT,
- the EUROCHAMBRES, and
- the "Comité Syndical des transports dans la CE".

Overall the positions of these organizations were negative to a significant increase of the maximum user charge level and the link of the proposal to the Green Paper on Fair and Efficient Pricing in Transport leading to a premature taking account of external costs. They expressed a serious concern about the likely impact of the proposed charging instruments on transport costs and on the competitiveness of EU haulage industry.

To a large extent, the views of the professional organizations were taken into account in the drafting of the present proposal. With regard, in particular, to the maximum levels of user charges and their differentiation, the rates proposed are substantially lower than those originally envisaged and contained in the working document on which the consultation took place. Furthermore, painstaking work has been carried out by a number of Commission services in assessing the likely impact of the proposed changes. The results obtained are outlined in the Explanatory Memorandum to the proposal and confirm the neutral or very limited (in the worst cases) impact of the proposed changes on transport costs.

ISSN 0254-1475

COM(96) 331 final

DOCUMENTS

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07 09

Catalogue number : CB-CO-96-355-EN-C

ISBN 92-78-06918-3

Office for Official Publications of the European Communities

L-2985 Luxembourg