BUSINESSEUROPE

COMMENTS

24 November 2017

Comments on Road Charging - 2017 Mobility Package

General remarks

1. The "Mobility Package" that the European Commission presented on 31 May 2017 contains important proposals on road charging, access to the road haulage market, enforcement and ways to trigger investment in smart infrastructure. Barriers to road transport in the single market have a direct and lasting negative impact on the European economy and hamper mobility. **BusinessEurope therefore supports concrete actions to tackle internal market fragmentation**.

2. Targeted revisions of existing legislation, for example on access to the road haulage market, should make it simpler and easier to enforce the rules. This package is timely and important to support road transport in Europe. We need to **create a level-playing field** and ensure that truck operators and drivers work under fair circumstances. BusinessEurope continues to fight against internal market fragmentation and counter disproportionate or unjustified national measures that unduly hamper free movement in the single market. A free-flowing single market will create jobs, growth and offer new opportunities for citizens, workers and businesses.

3. When revising existing legislation or proposing new regulation, it is crucial to have the administrative burden on businesses, freight transport operators and drivers constantly in mind. We need to **reduce red tape** and make it easy to enforce the rules. The Commission's better regulation principles and guidelines should be leading to ensure at all times that stakeholders' views are well taken into account and that we indeed see a reduction of administrative burden in practice.

4. Better and clear European rules will not only make it easier to enforce the legislation on the ground and create a fair level-playing field, it will also be less of a burden on companies and will support free movement, business opportunities and therefore growth and jobs in Europe. It is estimated that transport and logistics (including storage) account for approximately 10-15% of the cost of a finished product. Less pressure on this crucial sector, more fair competition and a lowering of cost-drivers will benefit Europe's competitiveness and therefore our economy as a whole, making us **more competitive vis-a-vis the rest of the world**.

5. **Enforcement** of agreed rules is essential for the well-functioning of the single market, for ensuring a level-playing field throughout Europe and improving and **upholding social legislation and conditions** while supporting the efficiency of transport. BusinessEurope fully supports the Commission's emphasis on ensuring stronger enforcement throughout the package to make a real difference on the ground.

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Specific remarks on:

- The proposed revision of the Eurovignette Directive (1999/62) - Smarter Road Infrastructure Charging

- The proposed recast of the Directive on the interoperability of electronic road toll systems in the Community (2004/52) - Promoting the European Electronic Toll Service (EETS)

Comments on the proposals[1]

6. BusinessEurope takes note of the proposed revision of the Eurovignette Directive and the Directive on the interoperability of electronic road toll systems. Generally, the proposed changes to the existing legislation will **enhance interoperability** and harmonise important elements to counter the existing patchwork of charging schemes throughout Europe. It is fundamental for transport companies and EU industry at large to operate in a predictable and fair framework where transport operators can cross borders more easily to create growth, jobs and new business opportunities.

7. **Charging should be fair, simple, transparent and non-discriminatory**, ensuring a level-playing field for road transport operators and with other modes of transport, based on scientifically measurable costs. Interoperability is a fundamental principle that should be at the core of a well-functioning revised road charging framework.

8. In this context, BusinessEurope supports the **phasing out of time-based charges** (i.e. time-based vignettes) and believes that if a Member State decides to **put in place a road charging scheme it should be an electronic distance-based charging system** related to actual kilometres driven.

9. The proposed changes to the existing legislation will ensure that road charging schemes (if put in place) are more in line with the **polluter and user-pays principles**, which can also help to make transport cleaner and more sustainable. Distance-based charging ensures a fairer and non-discriminatory system as enshrined in Article 18 of the TFEU. It is clear that Member States should be allowed to set their own charging rates within a coordinated range (reference values).

10. At the same time, **double taxation should be avoided**. To ensure this, the charge should be made revenue neutral by reducing or removing other taxes or charges. In practice, when a Member State decides to put in place a road charging scheme, it should be encouraged to lower any taxes levied on the mere ownership or purchase of vehicles (e.g. registration tax). Care must be taken with the internalisation of external costs. The aim must be to minimise external costs and not to fully monetise them.

[1] The Spanish Confederation of Employers' Organizations (CEOE) does not support BusinessEurope's position in some issues as it has not reached consensus itself concerning: (i) conditionality; (ii) cost elements to be considered; (iii) taxation; (iv) effects of the implementation of time-based charges; and (v) considerations regarding peripheral countries.

11. Adding on the above, BusinessEurope underlines that the concept of basing charges on distance should contain **flexibilities** for the use of the Member States. The distance-based charges could be combined with a variety of other factors such as time, area, emissions, bonus systems, service packages, etc. to encourage new forms of growth building on new business models. Categorial constant charge per every actual kilometre driven could cause excess burden for long haulage transports, for long ways to work and for travelling and tourism. At the same time, setting an adequate European framework here and ensuring interoperability between national charging systems is fundamental, not least to support free movement in the single market.

12. As regards the phasing out of time-based vignettes, BusinessEurope observes that the proposal introduces a ban on creating new time-based vignettes for heavy vehicles from 1 January 2018 but previously introduced time-based vignettes may continue until the end of 2023 at latest. A clarification is needed here how the Commission / national authorities will monitor the compliance of such a provision.

13. Some of the external costs of transport should be tackled by applying a balanced approach that prioritises technological improvements, operational measures and infrastructural improvements over economic instruments. Moreover, the better use and wider deployment of ICT and digital solutions should make logistics and mobility smarter, more efficient and thereby reduce costs.

14. BusinessEurope welcomes the Directive’s objective to promote a shift to cleaner vehicles. At the same time, it is too early to phase-out the **EURO class scaling** because there are still a lot of vehicles with an EURO class less than EURO VI. Moreover, the EURO class scaling serves as a successful incentive for providing modern, less-poluting vehicles on the road in the future. We stress that the intended transition should not lead to unreasonable pressure to achieve the lowest values possible at all costs to the detriment of overall competitiveness. In addition, it is important to note that other pollutants from transport have direct and often even more dangerous impact on human health and environment, therefore they should not be excluded from the charging system. The system should support the reduction of all emissions at the same time, at a reasonable rate, in line with available options and without damaging the competitiveness of the European industry. The current EURO class system includes a broader range of monitored emissions, is regularly updated and can respond appropriately to new scientific knowledge and environmental needs.

15. In general, BusinessEurope believes that charges should not be levied in such a way as to adversely affect Europe’s competitiveness, neither should they place an additonal burden on **peripheral regions** already strugling to improve their competitiveness. Any road charging scheme should be implemented in a way that it does not distrupt cohesion within the EU. For instance, there should be no room for discrimination between core and peripheral Member States through financial charging.

16. **BusinessEurope <u>deeply regrets</u> that the Commission has not proposed that revenues need to be earmarked and integrally reinvested into transport infrastructure** and improved performance of the transport system as part of an integrated policy aimed at supporting a competitive European economy:

- As stated in the explanatory memorandum, road infrastructure is degrading in many Member States because of inadequate maintenance. Public spending on road maintenance has decreased in the EU by about 30% between 2006 and 2013 and stood at 0.5% of GDP in 2013 (compared to 1.5% in 1975 and 0.8% in 2008). This leads to various negative economic, social and environmental impacts. Moreover, public budgets, in a crisis/post-crisis context, face difficulties in allocating the adequate and necessary level of public investment for transport infrastructure projects, while the infrastructure investment needs are huge. The Commission itself has estimated that 1.5 trillion euro over the next 20 years is the minimum investment needed to keep pace with the expected increase in transport demand. To complete the core Trans-European Transport Networks (TEN-T) alone about 500 billion euro is needed by 2020. Without these strategic investments Europe will progressively lose ground and its efficient transport infrastructure that is the foundation for the single market and long-term economic growth.

➔ The proposal should be improved to be more ambitious regarding earmarking, and could require that revenues from tolls / user charges be allocated to the field of investment and adequate maintenance of road transport infrastructure. This would be a concrete way to effectively help and remove bottlenecks and reduce the external costs of transport. For example, in some regions urgent investment is needed in secured parking spaces for trucks, adequate rest facilities for the drivers, especially <u>if</u> they are forced to take their regular weekly rest outside the cabin of their truck.

- Moreover, the Commission estimates in its Impact Assesment that if revenues would be 100% reinvested in transport (infrastructure) they could support more than 500,000 additional jobs. In any case, the revenues should not enable further constrictions of public spending on road infrastructure. A win-win approach could be achieved if a Member State is required to raise its expenditure in the road infrastructure at least by the same amount as there are (new) revenues collected from road charging.

17. The Commission proposes to gradually lower the minimum tax rates for heavy duty vehicles so that after 5 years Member States can apply zero rates. Further improvements to the text are needed to provide more clarity on how the compliance with this provision will be monitored.

18. BusinessEurope strongly supports the intentions of the Commission to enhance the interoperability of road charging schemes. At the same time, the **harmonisation of technical conditions must take place in a cost-effective way**. Infrastructure charging must be done in a cost-efficient and the most seamless way possible. The Commission's proposal improves the existing one in this regard. It also rightly lays down a procedure for the cross-border exchange of information on the failure to pay

road fees. However, we regret that the proposed mechanism is only addressing the identification of the foreign person failing to pay the road fee and it does not establish an effective procedure for the recovery of unpaid road fees.

19. Seeing the number of **delegated acts**, there could be decisions made on important details without sufficient involvement of stakeholders. BusinessEurope stresses that decisions are to be made on the basis of evidence and facts, with the involvement of the affected industry stakeholders to ensure that the revised framework is clear, transparant and will be implemented well in practice. It is essential that the new framework supports the deployment of the **latest technologies and ICT solutions**[2] and remains open to the introduction of new technologies contributing to the reduction of CO2 emissions.

20. We continue to stress that supporting **the development of co-modality is crucial**. All modes of transport should be seen as complementary to each other. The foreseen overall increase in demand for transport services will have to be accommodated by all modes of transport. It is therefore crucial to invest in and increase efficiency in each mode, but also in combination to offer maximum flexibility to companies and users of transport infrastructure.

21. Lastly, we would like to underline that the business community has a key role to play in making transport cleaner. At the same time, it is crucial to ensure that industry remains competitive and is not penalised to make this happen at any cost. We have to make sure that progress is made without sacrificing mobility and competitiveness of the strong European value chain. In this context, BusinessEurope is currently developing a holistic position paper on **low-emission mobility**. The paper will point to possible ways forward to make transport and mobility more sustainable, while ensuring that European industry can continue to compete at the global level.

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[2] More info on digital solutions for transport and logistics in BusinessEurope's recent position paper: "*ICT and digital solutions for transport and logistics*" of 2 November 2017.