Charging of heavy goods vehicles for the use of infrastructure: differentiated charging

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The Commission presented a communication on a **Strategy for the internalisation of external costs**. The internalisation of external costs is part of a package of initiatives intended to make transport more sustainable. For a number of years, the European Commission has been highlighting the need for a transport pricing system that is more efficient and more accurately reflects the true costs involved. Transport generates negative externalities that involve a cost to society and the economy. By internalising those external costs, the intention is to give the right price signal so that users will bear the costs they create and will thus have an incentive to change their behaviour in order to reduce those costs. If nothing is done in the next few years, the environmental costs (air pollution, CO2 emissions) could reach EUR 210 billion by 2020.

More intelligent prices: transport users have to pay costs that are directly related to the use of their mode of transport (fuel, insurance, etc.). Such costs are considered private in the sense that they are paid directly by the user. However, transport users also generate negative externalities that involve a cost to society, such as delays to other drivers as a result of congestion, health problems caused by noise and air pollution and, in the longer term, the effects of greenhouse gas emissions on climate change, but users do not bear those costs directly (external costs). The sum of the private and external costs of transport gives its social cost. **Only a price based on the total social costs generated by the transport user** will help give the right price signal and take account of the services used and the consumption of scarce resources. Furthermore, each external cost has specific characteristics which require the use of the appropriate instruments. The use of **differentiated charging** is the best way of taking those variations into account. Lastly, setting **common principles** for all Member States should prevent any discrimination and ensure market transparency.

General principles for the internalisation of external costs: giving transport users the right signals involves setting prices that do not lead to overexploitation of resources, but do not damage the transport sector, or ultimately the economy, either. According to economics literature, ‘social marginal cost charging’ achieves that balance and is therefore being proposed as the general principle for internalisation. According to this approach, transport prices should correspond to the additional short-term cost created by one extra person using the infrastructure. In theory, this additional cost should include the costs to the user and the external costs. Social marginal cost charging would therefore lead to efficient use of the existing infrastructure.

Strategy for internalising costs for all modes of transport: it is difficult to imagine an internalisation mechanism that would be generally applicable to all forms of transport, as these involve different technologies, different numbers of operators, existing legal and regulatory frameworks, etc. The same principle should be applied using different instruments. Based on the results of the impact assessment, it will be possible to adapt the overall strategy to the characteristics of each mode of transport. The main points tackled are as follows:

- the **road haulage sector** accounts for three quarters of freight transport, and internalising the external costs could help cut the cost to the environment by some EUR 1 billion in comparison with the reference scenario in which no action is taken. The Commission is therefore proposing to make it possible to internalise some of the external costs in the road haulage sector;
- the revision of Directive 1999/62/EC is proposed in order to allow charges to include external costs. The revision process will focus primarily on the following areas: (1) taking account of the external

costs of air pollution, noise pollution and congestion; (2) setting up Community coordination mechanisms with a common methodology and ceilings for the calculation of charges; (3) allocating revenue to the transport sector. To be effective, tolls should vary depending on the vehicle concerned, the type of route and the time. and payments should be made via electronic toll systems in order to prevent tailbacks at the toll booths;

- it is important to **promote internalisation through the use of technology**, via the Intelligent Transport System Action Plan to be proposed in autumn 2008;
- in order to encourage **more sustainable car use**, the charging principles proposed could usefully be extended to private cars. For reasons of subsidiarity, Member States retain the freedom to choose whether to do so or not. The Urban Mobility Action Plan, to be proposed in autumn 2008, will also look at how to improve mobility in urban centres and will consider the added value of Community action. Passing on the various experiences gained with charging systems in European cities, developing harmonised criteria for urban traffic restrictions and promoting technological interoperability could help harmonise strategies for the internalisation of external costs in urban areas across Europe. Lastly, a proposal on the taxation of private cars is currently under discussion in the Council;
- **other modes of transport** also have their part to play in improving people's quality of life, and each one presents specific challenges: noise pollution for rail transport, air pollution and climate change for maritime transport and noise pollution, air pollution and climate change for air transport. Internalising the external costs will also make it possible to use the most suitable instruments to encourage users to adopt more sustainable behaviour. The Commission suggests a series of measures in this regard.

Using the revenue generated by internalisation: international road transport accounts for almost a quarter of all road transport in Europe, with that figure rising above 50% in seven Member States (and even reaching 74% in Belgium, 76% in Luxembourg and 85% in Estonia). The revenue generated by internalisation should also be earmarked for the transport sector and the reduction of external costs, always on the basis of cost-benefit studies or similar analyses which guarantee that the chosen uses maximise the net benefits to society. The proposed revision of Directive 1999/62/EC envisages just such an approach.

The Commission will carry out an evaluation of these measures in 2013 and draw up a report on the progress made towards internalising external costs. A legislative proposal on road transport is being put forward as part of this package of initiatives. The evaluation of external costs will be updated to take account of research and scientific work in the field. If necessary and depending on how much progress has been made, other external costs such as those relating to biodiversity, nature and the countryside or land use may be included in the analysis.