The Voice of European Railways



CER FACT SHEET SEPTEMBER 2008

EXTERNAL COSTS OF TRANSPORT AND THE EUROVIGNETTE REVISION







 Article 7 clearly states that: "the infrastructure charge may be modified to take into account the cost of the environmental effects caused by the operation of the train".

Clear need for action:

- The current Eurovignette Directive makes road transport the only mode for which the internalisation of external costs is not allowed, whereas Directive 2001/14 allows it for rail!¹
- Road along with maritime transport are the only two modes not participating in the Emissions Trading System (ETS). Airlines will be covered as of 2011-2012, while railways (with 80% of total traffic by electric traction) participate already today through the inclusion of the electricity generating sector in the ETS.

1. WHAT ARE "EXTERNAL COSTS"?

- External costs are the costs of the negative effects of transport that are not paid by the transport users themselves (e.g. pollution).
- They are **real costs** to society (e.g. on payers of health bills and insurance premiums, on tax payers, on companies losing productivity).
- The question is: who should pay for them?

Table 1 – Main Categories of External Costs and WHO REALLY PAYS for them today?

CATEGORIES of COSTS	Who really pays for them?	
	Transport users	Non-transport users
Climate change (CO2 emissions) catastrophes reduced crops 	Users don't pay	 Insurers (Insurance payers) Public authorities (Tax payers) Individuals Future generations
Air pollution:human healthanimal health	Users don't pay	 Health insurers (Insurance payers) Public authorities (Tax payers) Individuals
Accidents: • human injuries • material damages	Partly, through insurances	Insurers (Insurance payers)Public authorities (Tax payers)Individuals
Congestionhuman stressproductivity loss	Partly, through productivity losses	CompaniesIndividualsHealth insurers (Insurance payers)
Noise • human stress	Users don't pay	IndividualsHealth insurers (Insurance payers)

2. IS IT POSSIBLE TO MEASURE EXTERNAL COSTS?

The IMPACT study Handbook published by the European Commission states: "... there is consensus at scientific level that external costs of transport can be measured by best practice approaches and that general figures are ready for policy use", adding further that additional decisions need to be made by policy makers².

• For example, the cost of climate change can be evaluated through estimating the damage caused by changes in climate arising from higher greenhouse gas emissions.

3. The magnitude of external costs of freight transport

All studies of external costs of transport show the large impact of road transport on the environment. Figure 1 presents the main results of the INFRAS/IWW 2004 study in terms of average external costs for various freight modes of transport in EU 17. Compared with rail freight transport (the least polluting mode), road freight causes around **5 times more** external costs per ton-kilometer!

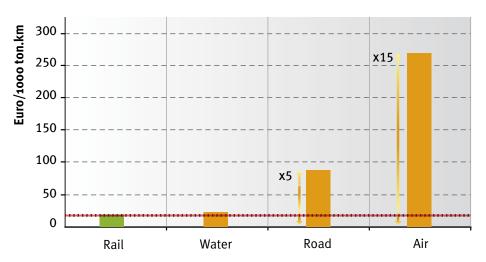


Figure 1: Average external costs for freight modes in 2000 (without congestion)

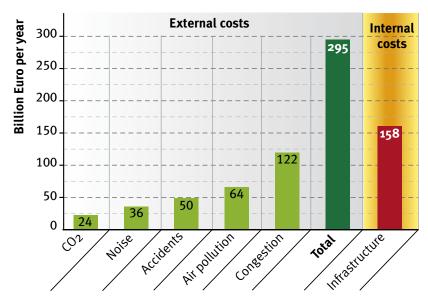
 CE Delft (2007), Handbook on estimation of external costs in the transport sector, p.13 http://ec.europa.eu/transport/ costs/index_en.htm

Overall, of the Total External Costs of the freight transport sector...

- Heavy trucks account for 25%.
- Light trucks account for 9 %.
- Rail freight accounts for 1%.

Interesting facts come from the (conservative) estimates of the UNITE study (2003). As seen in Figure 2, not only is the level of external costs proving higher than the cost of road infrastructure, **but it represents almost 3% of all the goods produced in EU (GDP)**.

Figure 2: Costs of Road Transport in Europe (in Billion Euros)³



Source: Estimation for 2006 based on UNITE study

This means that for 2006 the total external costs of road transport in Europe <u>every year</u> would be close to € 300 billion!

This is roughly the GDP of a country like Sweden.

4. The Current Eurovignette Directive (1999/62, as amended by Directive 2006/38)

Objective:

• The Directive sets **the rules which** Member States (MS) must abide by, **IF** they wish to introduce road pricing (either "user charges" or "tolls").

• It does NOT oblige MS to introduce road pricing for lorries.

Scope:

Source: UNITE (2003) study,

According to Eurostat the GDP for EU 15 in 2006 was € 10.855

Directive, in exceptional cases in

mountainous regions a mark-up may be added to the tolls of a specific road section, which may

not exceed 25% of the weighted

average toll.

adapted to 2006 figures

Billion (in market prices). According to article 11 of the

referring to costs as percentage of GDP in 1998 figures. Information

3.

- It applies to freight vehicles of a maximum permitted weight of over 3.5 tons on roads belonging to the Trans-European Road network.
- As of 2012, MS that operate user charges or tolls have to include all vehicles above 3.5 tons.

Maximum upper limit:

 The revenues of user charges or tolls must NOT exceed the infrastructure costs (except in sensitive areas 4).

Use of revenues:

• Decision on the use of revenues is left with the MS.



- CE Delft (2007), Handbook on estimation of external costs in the transport sector, p.8
- 6. Among others UNITE (2003) and INFRAS/IWW (2004)
- Commission's Internet Consultation on the internalisation of external costs, December 2007; 70% of the replies came from citizens and 30% from organisations.
- Proposal for a Directive amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures, COM (2008) 436 final.

5. REASONS FOR FURTHER REVISIONS:

- According to the Commission's Handbook, "Evidence shows that road transport has by far the largest share in total external costs of transport"⁵ a position shared by all scientific studies⁶.
- The OECD Environmental Outlook to 2030 clearly underlines the need for internalisation: "Transport prices rarely reflect their full social and environmental costs, resulting in overuse and sub-optimal choices about the type of transport to use. Transport prices should fully reflect the costs of environmental damage and health impacts.".
- General public and organisations are in favour of internalisation. Of the 469 replies received through an internet consultation carried out by the Commission in 2007, 81% support internalisation ⁷.

The unbalanced situation caused by the current Eurovignette Directive means that: 1) prices do not reflect real costs and

2) the "polluter pays" principle does not apply for the least environmentally-friendly mode. Competition is therefore distorted in favour of the most environmentally-damaging mode. Therefore, the internalisation of external costs for road is a necessary step in setting a level playing field among the transport modes.

6. New Directive proposed by Commission

In July 2008, the European Commission adopted a proposal to amend the Directive, as part of the Greening Transport Package:⁸

- MS will be allowed to charge for the external costs of Heavy Goods Vehicles when it comes to air pollution, noise and congestion, while CO2 and accident costs not covered by insurances are excluded. Charges are also limited to maximum values.
- The scope is extended to all interurban and suburban roads.
- Revenues are to be earmarked to promote the development of sustainable mobility.

The railway community (including CER, EIM and UNIFE):

- welcomes this initiative to establish the important principle of internalisation of external costs, which will bring benefits to the environment and the European economy.
- does not find it reasonable to exclude CO2 and accident costs in a nonmandatory scheme.
- stresses that mandatory charges should follow in time but are not realistic now.
- calls upon the European Parliament and the Council to reach an agreement before the end of this legislative period to avoid additional delays.



COMMUNITY OF EUROPEAN RAILWAY AND INFRASTRUCTURE COMPANIES - COMMUNAUTÉ EUROPÉENNE DU RAIL ET DES COMPAGNIES D'INFRASTRUCTURE - GEMEINSCHAFT DER EUROPÄISCHEN BAHNEN UND INFRASTRUKTURGESELLSCHAFTEN

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