

**World road association - PIARC
International seminar on road pricing**



EUROPEAN UNION POLICY IN ROAD CHARGING

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Technical committee 1.2

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The views expressed in this presentation are those of the author and not necessarily those of the organizations which the author belongs to

A RECURRENT ISSUE

- 
- Regulation (EEC) No 1108/70 of the Council of 4 June 1970 introducing an accounting system for expenditure on infrastructure in respect of transport by rail, road and inland waterway
 - Regulation (EEC) No 1107/70 of the Council of 4 June 1970 on the granting of aids for transport by rail, road and inland waterway (public service requirements)
 - High Level Group on Infrastructure Charging (1999)
 - Green Paper - Towards Fair and Efficient Pricing in Transport Policy - Options for internalising the external cost of transport in the European Union COM(95) 691, December 1995
 - White Paper- Fair payment for infrastructure use: a phased approach to a common transport infrastructure charging framework in the EU COM/98/0466 final, July 1998

CORE QUESTIONS:

- **Twofold price role:**

- » **cost recovery**
- » **demand orientation**

⇒ **are these roles compatible?, e.g.:**

- » **High traffic = low price (cost recovery)**
high price (offer and demand)

- » **Marginal eco. (or social) cost?**

what about financial constraints?

what about possible “external effects” charges?

- **What pricing perimeter?**


- **One infrastructure work**
- **A network**
- **A transportation system**

MAY PRICING BE FREE?


- 
- Natural monopole or dominant position
 - Non contestable market (infra. / services)

 - Competitiveness of economy
 - Spatial planning
 - Social equity
 - Tariff elasticity of traffic
 - > risk of lower social utility
 - HGV / private cars


WHERE DOES THE MONEY COME FROM ?

- 
- Tax Payer
 - General budget
 - Specific taxes (earmarked or not)
 - Direct User
 - Toll
 - Indirect User
 - Taxes capturing the generated value
 - Infrastructure - linked developments
 - Money from other authorities
- Loans are not a definitive resource
- The ultimate source : saving
- → Shadow toll (or availability and performance payment) is not a toll

INFRASTRUCTURES USE PRICING ?

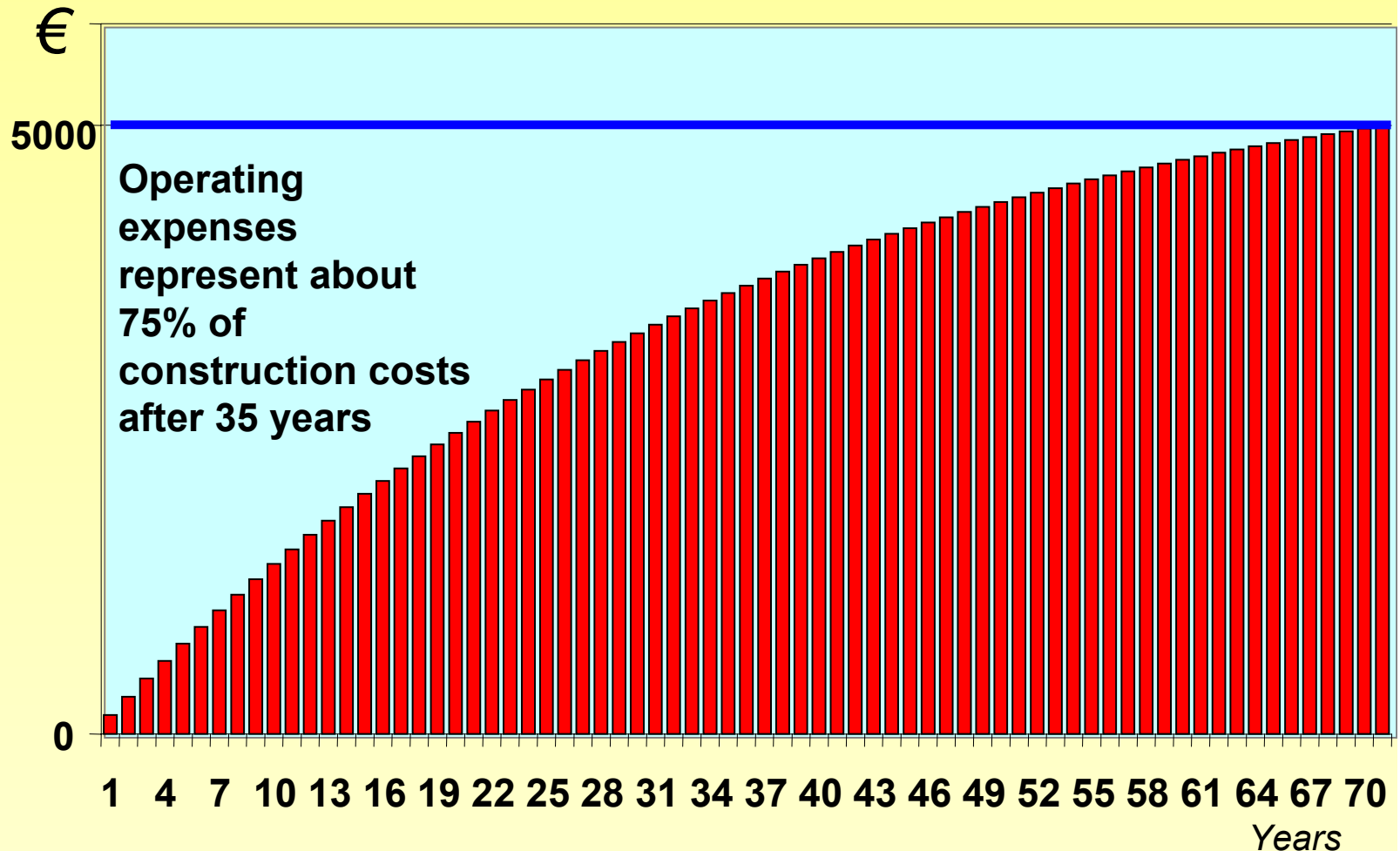
- 
- **The means**
 - toll
 - general taxes
 - specific taxes
 - **The process**
 - the general budget
 - the earmarked taxes (road funds)
 - specific organization(Authority, Concessionaire..)

SPECIFICITIES OF THE ROAD SECTOR

- 
- A service often provided "free"
 - A strong weighting for long-lasting infrastructures
 - Important externalities
 - ➔ economic profitability > financial profitability
 - Increasing traffic
 - Long period for financial return
 - Usually a positive evolution
 - Important need for cash (especially at the beginning)
 - Increasing profits
 - pricing at marginal cost/budget balance
 - A demand difficult to forecast (multiple users)


Evolution of operating expenses

(discounted aggregate total in M€)




Hypotheses : concession of 35 years, traffic : 10,000veh/day, and construction cost : 5 M€

TRANSPORT COMMON POLICY

- 
- In Rome treaty, free circulation but no actual transport policy (spatial planning, infrastructure, environment.....)
 - Rationale of pricing directives :
 - Harmonisation of **competition** between hauliers
 - No **discrimination** ---> Nationality / territoriality
 - So-called cost reality
 - Methods:
 - Minima for gas excises
 - limitation of user's charge (time-related pricing)
 - Calculation rules for toll (distance-related pricing)

PRICING DIRECTIVES

EXCISES

- 
- Directive 2003/96/EC restructuring the EC framework for the taxation of energy ⇒ minima for gas excises :
 - Unleaded petrol : 359 Euros / 1 000 l
 - Gas oil : 302 Euros / 1 000 l


(former directive 92/82 on excises)
 - Possible reduced rates of taxation and exemptions
 - A new directive in project about gas excises towards unified rates in 2010, but a lot of problems

ROAD USER CHARGES (1/2)


- Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures
 - **Vehicle taxation**(nationality): minimum rates
 - **User charge (time related)** : maximum rate
 - **Toll (distance related)**: linked to costs of constructing, operating and developing the infrastructure network concerned
- Commission communication COM 2003/448 for amending this directive

ROAD USER CHARGES (2/2)

ISSUES AT STAKE

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- Eurovignette(directive 99/62)
 - No backbone
 - Definitively backward directive 2001/14
(charges for the use of railway infrastructure)
 - **User's charge (or toll) :** recovery of costs
price of a service
taxation
demand management
 - **Central / peripheral regions**
Hauliers' and Gateways countries
 - **External effects :to charge them and how?**
how to channel charges?

IS EU POLICY CONSISTENT?

- 
- EC White paper COM 2001/370 (12092001)
European transport policy for 2010: time to decide
 - “Decoupling” traffic/economic growth?
 - A structural long-range process
 - New MS’s economic “catching up” counteracts
 - The headache of funding by:
 - Giving confidence to private investors
 - Mutualisation of funding inside transport sector

BUT proposal for a bureaucratic management of road charging (....in favour of road)

- No legal safety for PPP
- European spatial development perspective

BUT need of competitiveness and national interests

DO NOT BE CONFUSE

■ What is “toll”?

- A common meaning: Distance related user charge
- Two different uses:
 - ✓ “fiscal” toll
 - ✓ “concession” toll

■ How to regulate toll?

- User’s choice (traffic elasticity) and social acceptance
- Network effects ⇒ a weak competition
- “fiscal” toll : control by public authorities
- “concession” toll: competition for the market
contractual rules and regulation

BE REALISTIC



- **CONSTRUCTION COST** € 3,650,000 / Km
- **INTEREST OF LOANS (10 %)** € 365,000 / Km
- **NECESSARY DAILY TURN OVER** € 1,000 / Km

If the toll rate is € 0.05 / Km

➔ **TRAFFIC** 20,000 Veh. / day



THANK YOU