

Mr Nielsen

IRU as substitute for Mr Lacny

At the Conference

Mr Nielsen reminded the participants that road freight transport is intrinsic to the supply chain, and that since the 1990's the road transport industry has created a -97% polluting truck; as well as decreasing fuel usage by 36%. Similarly a truck in the 1980's made the same amount of noise as 25 trucks today so a lot of these externalities are being tackled within the industry. Indeed two thirds of Heavy Goods Vehicle externalities have already been externalised, taking away congestion from the equation, would show that 99% of externalities have been covered.



All modes need to be treated equally, all modes bring externalities, but it must not be forgotten that road transport carries 85% of all transport below journeys of 150km. In these cases there is no alternative, adding costs will not force a modal shift, although the remaining 15% can be looked at.

On the debate on earmarking Mr Nielsen said that all revenues must be re-invested in that mode, with the ultimate aim of having that mode pay nothing.

Pre-Conference statement

The International Road Transport Union (IRU), founded in Geneva in 1948, is the international organisation which upholds the interests of the road transport industry worldwide. Via its network of 180 national Member Associations in 74 countries, it represents the operators of buses, coaches, taxis and trucks, from large fleets to individual owner-operators. The IRU, which has a truly global vision, also acts effectively at a national and even local level through its national Members by "Working together for a better future". The liberalisation of economies and the globalisation of markets have created a new economic framework based on the free movement of people, goods and services. Due to its high quality door-to-door service road transport is an integral part of any logistic system and thus a vital production tool. Thus any penalty on road transport is an even greater penalty on the economy. To date, the road transport industry is the only transport mode that has made the promotion of sustainable development a constitutional obligation. To strive for sustainable development and to fulfil the EU Lisbon agenda, the IRU's 3 "i" strategy for

achieving sustainable development based on innovation, incentives and infrastructure is the most robust and cost-effective approach.

No modal shift through road pricing According to the results of scientific studies by TransCare, a 1 Euro per km road toll increase will only lead to a less than 1.22% shift of road transport volume to rail. Moreover, making goods transport by rail more attractive through higher charges for road will not result in a shift to rail as 70% of the volume of goods transported by road does not respond to changes in transport prices. Only increased quality service will foster a potential increase in rail transport, road pricing does not.

Many external costs are already internalised A scientific study by Piecyk and McKinnon concluded in 2007 that two thirds of the external costs for road transport are already internalised through duties on petrol, road tax, insurance premiums, existing Eurovignette charges and tolls for particular stretches of road, tunnels and bridges. When congestion is not taken into account 99% of the externalities are already internalised. However, it must be recognised that transport operators also pay in addition for congestion costs through higher fixed and variable costs, time losses and lost opportunity costs. Regarding the revision of the Eurovignette directive the IRU requests that a detailed analysis is made in order to define clearly which external costs are still not fully internalised and how best to internalise the remaining few percentages of these external costs.

Treat all modes equally Fair competition on the goods transport market depends on a coherent application of the non-discrimination principle in the widest sense including, an equal fiscal level playing field for all transport modes. It is therefore crucial that any initiative to further internalise external costs is applied to all modes of transport at the same time.

Earmark all revenues The IRU request that all potential future charging revenue must be earmarked for reinvestment in the mode it was drawn from, to effectively reduce external effects through at-source measures such as incentives for the introduction of clean vehicle technology. If the collected charges are allowed to cross-subsidise ineffective transport modes or to fill gaps in member States' general budgets, the EU will have established just one more tax collection scheme where the Polluter Pays but the Problem Stays.

The EU applies a wrong methodology to calculate external costs Policy-makers consider the Polluter Pays Principle (PPP) the only way that society should pay for the external costs of transport. However, the PPP is a blunt tax collection scheme. It cannot reduce external costs in an optimal way because it does not foresee conducting proper cost-benefit analyses. Rather it automatically pre-determines which party should cover the external costs without conducting a sound cost-benefit analysis.

Polluter Pays – Problem Stays In economic circles, the Cheapest Cost Avoider Principle (CCAP), which won Ronald Coase a Nobel Prize in 1991, has superseded the PPP. The underlying principle of the CCAP is that a cost-benefit analysis is conducted and the stakeholder who can prevent external costs at the lowest cost for the overall economy should pay. The EU needs to apply this principle in their internalisation approach, if the intent is to solve the problem, rather than collecting another tax.

Conclusion The current approach by the European Commission on internalisation of external costs and the revision of the Eurovignette

Directive undermines the European Union's "Lisbon Goals" of growth, jobs and competitiveness, especially in times of recession. If the EU continues on this path we will see no long lines of trucks on the road but long lines of unemployed people at the job centres.