

The European Voice of Freight Logistics and Customs Representatives

Brussels, 2nd of December 2008

RE: EP Hearing on Eurovignette

Mr Paolo Costa, Mr Said El Khadraoui, Honourable Members of Parliament, distinguished guests, ladies and gentlemen,

I am speaking here in my position as President of Clecat after the kind invitation received from the TRAN Committee. All Clecat Members are very thankful for this opportunity.

Let me introduce Clecat for those who are not familiar with it. Clecat is an international non profit association, according to the Belgian law. It was created in 1958. Tomorrow we celebrate our 50th anniversary with a special edition of the freight forwarders' conference, to which we would be delighted to invite you.

Our Members are national federations of companies dealing with logistics, freight forwarding, transport and Customs services. Freight is our focus, passengers' transport only interjecting freight transport on issues such as infrastructure sharing, congestion and infrastructure charging. Our constituency is wide and diverse, from the smallest family business to the biggest multinationals, all over the continent. Our market share is thus second to none.

We were invited to express our views on the proposed Eurovignette revision, so far the only identified legal instrument proposed the greening of transport issue. This proposal was put forward in a very different climate for our economy. There was a sense of haste that today looks less urgent.

The forecast surge in transportation demand is likely to diminish for some time and we expect the next two or three years to see a downturn. This may be unpleasant for the economy, but it gives us some respite in the political work ahead.

Nonetheless we still need action, but haste would be counterproductive now. The internalisation of external costs is an issue of capital and historical importance for our future social system and it must be dealt with thoughtfully, not hurriedly.

Fortunately we still have the time to avail ourselves of spotless scientific methodology, followed by a thorough and convincing debate, because the nature of the issue impacts on the whole of society and not on freight transport services only.

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Clecat Members share the objectives of internalising external costs as a method of creating a level playing field in the transport industry, not the least of the complex variables in trading and commodity sourcing. We must think of the internalisation of external transport costs as an element of our trading patterns, reflecting on our lifestyles. This is not like opening markets to competition or setting minimum safety standards for chemicals. With all due respect, this a much greater issue, which may trigger changes measurable in decades of prosperity or decline. A fair, comprehensive system to address externalities would be good for the whole community, I daresay, even for the transport sector itself, as an instrument to reveal untapped resources of efficiency.

Our perspective is 100% multimodal, we use all modes and we combine them to achieve the best performance. All transport modes are useful, each with its own specificity, but they are not equivalent, as they serve different purposes. They can work in combination and harmony: they must then be all efficient. In a perfect world the modal choice would be dictated first by physical constraints, then by the requirements of the commodity, then by price. Unfortunately transport modes are not all equally efficient and reliable. Incomplete efficiency still distorts modal competition. It is therefore far more important to increase efficiency where there is little rather than “giving price signals”. We need emulation and enhancement, we certainly do not need to level at the lowest performance.

The internalisation of external costs is a commendable, difficult (but not impossible) exercise, which must contain a few key principles¹:

- after a comprehensive inventory, existing taxation and infrastructure charging schemes should be harmonised,
- the methodology for calculation should be harmonised, with limited and well motivated exceptions;
- charges should mitigate existing distortions, i.e. they should be harmonised at EU level and be mandatory for all Member States;
- double charging or taxation should be avoided by taking into account those costs that are already (fully or partly) internalised through existing taxes or charges;
- the revenues of the charging policy should be strictly earmarked and used to address and alleviate the externalities that produce them;

¹ Interesting to read the UK House of Commons report (<http://www.parliament.the-stationery-office.co.uk/pa/cm200405/cmselect/cmtran/218/21806.htm>) on a possible road charging scheme, which states clearly the following, under the title: **The potential of road pricing**

10. A national road pricing system would move away from the current motoring taxation system, to a system in which drivers paid directly to use the road. The charges paid would vary depending on the degree of congestion and be calculated according to the distance travelled. It is likely that a national system would require a technology which could charge by time, distance and place, and take account of the costs imposed by the vehicle, including environmental costs. It is expected that the technology would include a 'box' on board the vehicle which could work out exactly where, when and over what distance the vehicle was being driven, possibly using a positioning system.[23] It would be a more sophisticated way of charging than fuel duty. The system would cover the entire road network, but would not necessarily impose charges on all roads at all times, and more than half of road traffic could pay less than it would under the existing fuel duty system.[24] Although there is a significant body of international experience as well as growing domestic examples which demonstrate that some forms of road pricing are practicable and achievable today; no road pricing system as ambitious as that being examined for the UK, exists anywhere in the world.

11. The economic principles of road user charging have been established for many years. The basic argument is that pricing would help allocate road space more efficiently. The theory - and experience where it has been undertaken - is that road user charging provides better price signals for road users, which influence their choice of journey and make road use more efficient. Within this framework car users will have to make a judgement about whether the journey they wish to make is of sufficient priority to outweigh the congestion charges, or whether a journey could be made at a different time, by a different mode, or using a different route. This will affect different people in different ways. For example, business traffic generally has a higher value of time than personal traffic, and should therefore enjoy a greater benefit from the time saved, although the impact will vary depending on the business sector and purpose of journey.[25] The rationale of paying more at peak times is already well understood in the context of telephone services, and rail tickets for example.

- the polluter-pays and user-pays schemes should not play one against the other or be confused with each other, i.e. polluter-pays should address externalities, starting from the source of energy, whilst user-pays should be used only to pay infrastructure maintenance.
- addressing externalities should be based on a combination of pricing and incentives and take account of externalities both from the point of view of their intrinsic nature and causes, and of their concentration on the territory;

Such a comprehensive programme, if adopted and implemented wisely in all MS's, should be able to capture the full picture, i.e. all users on equal footing and not just less than 10% as we see now. It would also be taking account of the peculiarities of certain areas, such as the extreme periphery of the Union, which are not well served by the current proposal.

What is on the table instead? A proposal to modify the charging system on heavy duty vehicles and nothing else. These are the reasons why we are unable to accept it:

- it includes a pricing scheme only, without incentives, and it does so by focussing on the minority of the users;
- it fails to propose a "single market" concept in road pricing, hence it fail to provide an acceptable cost/benefit analysis at EU level;
- it looks hastily put together, after a study that we find incomplete (it ignores existing charging schemes and it forgets anything else other than heavy duty vehicles);
- it falls short of catching all modes of transport, or even the entire road network;
- it seems to focus on extracting revenues from some of the users only, whilst it excludes the rest, statistically causing 90% of congestion;
- it does not take account of existing environmental policy, such as the EURO class programme for vehicles;
- it is insufficiently strict on earmarking the revenues to address externalities, this part being scantily developed and much questioned;
- it does not resolve the problem of a missing EU wide harmonised collecting system;
- its overlooks all non-pricing instruments², which would deliver immediate benefits;

Here is an insufficient instrument, unable to address transport inefficiencies, served onto Parliament in a hurry, which limits itself to creating some more charges, over and above those already in existence, for road transport professionals alone. Not a fine achievement in our view.

Let me analyse some of the arguments on the table:

- The issue of direct and indirect costs is absent. Not all modes of transport pay their direct costs (infrastructure, equipment, etc.) in the same way and some, notably road professional users, pay handsome direct charges and taxes. They also face high costs for congestion, whilst infrastructure is insufficient due to a

² For example: Harmonising weekend and other driving bans and restrictions on the TEN-T; enabling a better use of the 24h of the day for deliveries and collections in urban areas; allowing energy-efficient and environmentally friendly vehicles to use bus lanes for deliveries and collections in urban areas; allowing the use of the modular concept (Eco-Liner) all over the EU.
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- sharp decrease in infrastructure investments combined with an equally sharp surge of mobility demand;
- If revenues are not strictly earmarked with the intention is to address externalities, this would be just another tax;
 - By tackling about 10% of users, congestion would not be solved; only tackling network bottlenecks would solve most of the problems;
 - Road transport professionals do not have viable alternatives, hence no behavioural change will happen, unless private users are charged as well;
 - Starting by charging road freight transport was meant to catch 80% of transport movements, but in practice this is not true: only a small part of the total would be charged: this would mean insufficient revenues, despite high cost for those who happen to face the charge;

Some say that charging private users would require Council unanimity: so be it! This is a historical opportunity to rectify distortions, to design a comprehensive scheme in our transport policy for years to come. We must have the courage of a clear and democratic debate: this is about our future prosperity or about our decline! Important as that may be, this is not just about how much more expensive our goods will be on the market.

Honourable Members of Parliament, we would be surprised if you allowed this capital debate to be reduced to a minimalistic dimension.

Let us imagine a shipper requires our services: we analyse its requirement and start planning. Few customers are directly connected by rail, inland waterways or ocean terminals, so the end legs would be on the road. We need reliability and price, but reliability is the real thing: if our service is not reliable it is a no-go. Increasing the cost of the road only would hit on reliability and pitch reliability against price.

In the end, reliability would win, a higher price would resolve the externality. A combination of enhanced efficiency and pricing would create a better picture instead: we would then be choosing between equally efficient solutions. The gain in efficiency may also compensate some extra costs.

Charging the road only, would translate into less innovation, less efficiency, i.e. quite a bleak scenario for our future. Charging the road to favour other modes is a wrong strategy, as road and other modes are interconnected in service. Those who dream of the eurovignette as a way to achieve a modal shift are pursuing a mistaken objective. On the contrary, there is some modal shift already and it happens where the quality of alternatives allows for it. Charging the road only would not accelerate the process, because of problems of capacity. Where quality in rail services has been achieved, there is an increase of rail freight, the same was in coastal navigation and short sea shipping.

We can even roughly calculate how charging reflects onto the end consumer. Generalising is not the best approach, but we may assume that logistics costs 5% to 15% of the market value of most general cargo. Our German Members' experience with the MAUT tells us that after 2005, transport costs went up by 3% to 6% in general cargo, 7% to 10% in part loads and 10% to 15%, when road freight only was considered. In other words logistics techniques helped contain part of the increase, but eventually prices went up faster than inflation. In the meantime the fleet was renewed, probably because of the EURO class different tolling. A sharp increase in the MAUT is expected in

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2009 and this would not meet the same favourable economic conditions. By intuition we can conclude that a road charge increase of 5% would trigger about 0,5% higher inflation.

The time has come for conclusions. You have certainly understood we have problems with this proposal. Our problems are in summary very simple:

- we object to a scheme that would charge some users heavily instead of charging all users less;
- we object to the lack of harmonisation caused by the absence of a uniform scheme for all Member States;
- we object to the absence of a pan-EU fee collection scheme, causing confusion and extra costs for users;
- we object to the urgency, which does not suit the present economic climate
- lastly, we object to a scheme that deals only with road externalities and forgets the rest.

We insist that timely infrastructure planning, building and maintenance is the best way to address many externalities and certainly congestion. There is a vital need for infrastructure in all modes. We need immediate public investments to address the economic downturn by anti-cyclical measures. Infrastructure investments would cure many problems and help stabilise our purchasing power, provide return in direct taxation and, in the long run, maintain our level of wealth and development.

In the meantime the ongoing debate on the internalisation of external costs can be expanded, the Commission could prepare a communication with a view to evaluate and harmonise existing taxation on all modes of transport, containing a few comparable internalisation schemes with cost benefit analysis, and finally prepare a package for the internalisation of external costs in transport, containing an action plan and the related legislative proposals, intended to address externalities by the strictest appropriation of the generated revenues.

For all these reasons we ask the Parliament to request the withdrawal of the proposed Eurovignette directive, so that the political debate can focus on a more comprehensive proposal.

We are aware that this request might be met with less than unanimous acclaim, but we cannot pass this opportunity to suggest what we believe should be a historic step towards a fair solution, on a continental level, of the problem of the insufficient funding of our transport infrastructure.

This insufficiency has created today's unsustainable conditions, which would further deteriorate, if not corrected by innovative and strategic decisions. Failing to seize this opportunity will have dire effects on our future and may confine us to live in a continent where our transport services will be inadequate and expensive. This means transforming a thriving source of revenues into an ailing industry, which would need help.

Thanks for your attention.