Council of Ministers

CHARGING FOR THE USE OF INFRASTRUCTURE

Policy Note and Recommendations

This document will be examined under item 3 "Main discussion blocks: Charging for the use of infrastructure" of the Draft Agenda of the Ljubljana session of the Council of Ministers.

Ministers are invited to discuss the Policy Note and agree the Recommendations.
CHARGING FOR THE USE OF INFRASTRUCTURE

POLICY NOTE

Context

Financing investment through user charges is an increasingly central theme in debate over the development of transport infrastructure. Most Member and Associate countries fund some specific infrastructure links (tunnels and bridges) through user charges and several have long experience of funding construction and maintenance of motorway networks through tolls. A number of other countries have recently introduced or are considering introducing new road user charges to fund increased investment in transport infrastructure.

At the same time there is growing interest in developing user charges to reflect transport demand in the prices paid for the use of roads and for internalising the costs of accidents, pollution and noise nuisance. A number of countries have recently introduced charges of this second kind or are considering them: electronic km charges for trucks and electronic charges for using roads in city centres, described in report CEMT/CM(2004)19. Systems introduced so far focus mainly on managing traffic levels (for example the Swiss heavy vehicle fee, London congestion charge, Birmingham relief motorway and San Diego freeway).

Though both kinds of charge raise revenue and can be differentiated to provide incentives for cleaner vehicles and for spreading peaks in traffic, they differ in the approach to establishing the overall level of charges. The first establishes tolls on the basis of narrow financial criteria for generating the income needed to fund development of infrastructure. The second attempts to set charges at levels intended to optimise performance of the transport sector on the basis of a socio-economic analysis.

A third approach has been developed to provide a framework for establishing the upper limit for tolls and km charges on road haulage in the European Union. This bases charges on an estimation of the total costs attributable to construction and maintenance of the infrastructure. This has the appeal of simplicity by following the logic of the first approach but depends on data that is difficult to compile and often proves controversial. It can also result in charges that are generally too high to optimise the use of infrastructure outside of urban centres.

Policy

Ministers have set out policy on the reform of transport charges and taxes in two ECMT resolutions: Resolution 2000/3 on Charges and Taxes in Transport and Particularly International Road Haulage; and Resolution 1998/1 on the Policy Approach to Internalising the External Costs of Transport. These promote a stepwise reform of charges and taxes to improve the efficiency of transport, avoid discrimination and distortion of competition and provide incentives to reduce the environmental impacts of transport and manage congestion. They underline the need for a comprehensive approach that covers all transport charges, including fuel taxes. They recommend gradually shifting the structure of taxation to increase the share of more territorially based charges, such as tolls, electronic kilometre charges and urban road pricing.

In 2003 Ministers adopted a report Reforming Transport Taxes, CEMT/CM(2003)3, that concluded that without more efficient charges and a more predictable framework for prices, investments to meet...
transport demands will frequently fail to deliver planned results. A predictable framework is particularly important in regard to competition between road, rail and other modes and for investments intended to promote modal shift. The 2003 report confirmed that the potential benefits of the reforms set out in the resolutions are large and suggested that a focus on implementation and carrying public opinion is now indicated.

To examine implementation and issues of acceptance, a conference on experience to date of Managing Transport Demand through User Charges was organised in London on 23 January 2004. The conclusions are presented in document CEMT/CM(2004)20. In 2003, two events in the USA reviewed relevant experience: the Symposium on Road Pricing co-organised by the OECD/RTR Programme; and the ECMT workshop on Fostering Successful Implementation of Sustainable Urban Travel Policies. Document CEMT/CM(2004)19 briefly summarises the results and recalls the objectives of pricing reform and the principles on which it should be based.

Lessons Learned from Recent Experience

Where electronic road user charges have been developed there have always been pressing reasons for their introduction, and a sense of urgency, either for managing chronic congestion, pollution, improving the urban environment or for raising additional finance for investment in transport and ensuring all users, including foreign hauliers, pay their costs.

Electronic user charges have been deployed with success to manage heavy goods vehicles and urban road traffic. The success of road pricing in managing congestion in the largest European urban area, London, has been greater than expected. The targets for improved road journey time and reliability have been met, public transport services have improved and a majority of citizens approve the scheme now it is in operation.

In international truck traffic, electronic km charges are the most promising way of ensuring foreign vehicles contribute to costs where this is perceived as a problem. They can also be coordinated with other taxes and charges to remove current distortions in haulage markets, which arise from differences in the level of annual national vehicle taxes.

The user charges in London and Switzerland have been successfully employed to meet demand management targets. As a secondary objective, they raise additional revenues for investments aimed at improving the efficiency and environmental performance of the transport system as a whole. Reinvesting part of the revenues raised is an effective strategy for gaining acceptance of new charging systems.

Tried and tested systems are available for road charging without technological problems. At the same time, systems using newer satellite technology are maturing rapidly and already successfully incorporated in the Swiss truck charge (used to switch off the charging system when trucks leave Switzerland by a route not equipped with roadside beacons). Satellite systems will eventually enable further improvements in traffic management. A step by step approach to developing technology is seen as a key to success in the development of a number of charging systems.

Electronic road pricing systems have so far been limited to city centres and to the highly regulated haulage industry. Universal application to national car fleets is not so far envisaged.

User charges are at a relatively early stage of development in both road and rail sectors. At this stage, flexibility for local and national authorities to work towards sustainable systems of charges is needed. International regulations need to provide for this, both in the scope allowed for differentiation of charges and through periodic review of the pricing methodologies employed. This fits the step by step approach to the reform of transport charges and taxes adopted in ECMT Resolutions and many other policy statements.
RECOMMENDATIONS

Ministers are asked to:

− NOTE the successful implementation of electronic road pricing systems for urban traffic management and interurban freight haulage in a number of Member and Associate countries, and in particular that:
  ▪ the systems implemented have been effective in delivering results;
  ▪ negative side-effects have been minor;
  ▪ charging systems can be adjusted rapidly in case of need, in contrast to investments in infrastructure which are largely irreversible.

− CONSIDER promoting the introduction of electronic charges for the use of roads and providing powers and incentives for local government to introduce charges to manage urban traffic, especially where other measures have not been effective and where serious problems exist with respect to:
  ▪ congestion;
  ▪ and improving the urban or natural environment.

− CONFIRM their attachment to the principles for the reform of transport charges and taxes agreed in previous decisions:
  ▪ Non-discrimination, in relation to nationality in the level of charges applied;
  ▪ Efficiency, to drive economic benefits and make economies more competitive;
  ▪ Interoperability for electronic charging systems;
  ▪ Consistency, ensuring all transport tax changes move in the right direction;
  ▪ Fairness;
  ▪ The polluter pays.

− PURSUE interoperability for electronic charging systems and support the efforts underway in the European Union to this end, ensuring national industrial interests are not put before the common economic interest;

− NOTE the value of understanding the costs to which charges are related, particularly in regard to road haulage, and that there may be benefits to following a common international approach to charging in this sector;

− NOTE, nevertheless, that for efficiency charges must be related to the local costs of infrastructure use and therefore a certain degree of freedom for national and local governments to set prices is appropriate;

− REVIEW all bilateral exemptions to road user charges, as following a common international approach implies ending such inherently discriminatory arrangements;

− NOTE that pricing reform will alter the type, location and magnitude of infrastructure investments required. Project assessments and long term infrastructure plans must take full account of changes in the transport pricing environment.