Fostering Sustainable Urban Travel in Norway
New Urban Organization Models, Incentive based Funding and Car Taxation
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Fostering Sustainable Urban Travel in Norway – New Urban Organization Models, Incentive based Funding and Car Taxation

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Organisation of Transport Policy

- **National authorities**: Overall responsibility for framework, national road infrastructure, railways, purchase of public rail transport services around the largest cities.

- **Regional level (counties)**: Responsibility for county roads, managing public transport (other than railroad) including purchase of services from public transport companies within the county-boundaries.

- **Local municipalities**: Responsibility for municipal roads, managing public transport at the local level, land use planning, parking regulation.

⇒ Challenge: Comprehensive Urban Transport Policy
A Step Forward - New Organisation Models (1)

Objective:

• Better coordination of land use and transport policy in the urban areas.
• Better use of the total public resources for road and public transport (across authority level).
• Try out if alternative organisation may meet the environmental and congestion challenges in a better way than present organisation.

→ Four cities (Bergen, Trondheim, Stavanger and Kristiansand) are now in the process of making clear the responsibilities between themselves, with the Ministry of Transport as facilitator.
New Organisation Models (2)

Two alternative models:

- "The agreement/contract alternative"
  - The urban areas are given increased responsibility for coordination of measures through a coordination body
  - Resources as under present organisation, responsibilities to the new body

- "The city municipality alternative"
  - State and county authorities transfer responsibilities and resources to city municipality to carry out measures
New Organisation Models (3)

➔ In principle the test period is four years, with the possibility for a one year extension.

➔ The test period there will be followed by an evaluation which will form the basis for the decision on future organisation in the transport sector in greater urban areas.
The Greater Oslo Area – The New Coordination Body

- The responsibility for organising and planning, buying etc. public transport services is divided between four different counties and the state
- Common report: responsibilities, tasks and role for a new coordination body are discussed:
  ⇣ a new coordination body will be established from 1 January 2004 in order to co-ordinate the planning of public transport within the area:
    - developing a common ticketing and information system
    - a report with proposals for its further tasks and responsibilities.
  ⇣ in the long run: responsibility for organising and planning, buying etc. all public transport services within the area, including railways
  ⇣ main task: secure that political prioritising of resources and measures are coherent to ensure a comprehensive public transport system
Incentive Based Funding (1)

- The Government will introduce an incentive-based state funding system for public transport in larger urban areas from January 2004.

  - Wish to reward city areas where growth in road traffic is limited and public transport takes a larger share of traffic growth.

Objective:
- Reduce congestion and improve environment and health in greater urban areas
- by limiting the need for transport
- and increase the number of journeys by public transport at the expense of journeys by car.
Incentive Based Funding (2) Cities

The Largest Cities:

• Reduced traffic growth is of most importance; where congestion and the environmental consequences of increasing road transport are most severe.
• The best financial foundation for public transport.
• Invitation to: Oslo, Bergen, Trondheim, Stavanger and Kristiansand to apply for the 100 mill Norwegian kroner or 14 mill US$ in 2004.
Incentive Based Funding (3) Guidelines

- **Applicants**: The authority responsible for local public transport in the selected urban areas (county, city-municipality, or body with corresponding responsibility).

- **Basis for payment**:
  - The intention is that the system is to be based on results in a way that rewards documented achievements.
  - Introduction phase: Necessary to distribute funds in advance the first year. (planned and political adopted implementation of supporting measures to achieve the objectives of the system)
Incentive Based Funding (4) Guidelines

• **In advance (introduction phase)**
  - Measures to restrict the use of private cars
  - land use and transport planning policy that is more favorable for public transport,
  - measures to increase the attractiveness of public transport.

• **Result based payment**
  The development in public transport and private car use meet two requirements:
  (i) *Increased public transport*: The growth (reduction) in the number of public transport passengers previous year is greater (less) than the average growth (reduction) in the last five years
  (ii) *Less traffic by private cars*: The growth (reduction) in traffic by private cars the previous year is less (greater) than the average growth (reduction) in the last five years.
Incentive Based Funding (5) Guidelines - Prioritizing

• **In advance (introduction phase)**
  Priority will be given to cities that are able to substantiate future results/achievements through a set of chosen measures
  ➔ Pre-requisite: Implementation of measures to limit traffic by private cars

• **Result based payment**
  Priority is given according to the criteria for the development in public transport and car traffic growth

  ➔ In both cases: All applications will be considered based on information about *benefits and costs* related to planned and implemented measures as well as on the differences between the urban areas regarding congestion, environment and health
The city areas that receive funding from this system may use it in any way they wish, as long as the measures taken increases public transport competitiveness.
Transport Taxes (1)

→ Two main categories of transport taxes: fuel and vehicle taxes:
  
  • Fuel taxes:
    - related to the number of kilometres the vehicle is driven
    - the tax level depends on the tax rate and the energy efficiency of the vehicle in question.
  
  • Vehicle taxes
    - associated with the purchase or ownership of vehicles
    - tax base normally a technical or economical variable related to the vehicle
    - the vehicle taxes depend less on usage than fuel taxes and their tax bases are independent of kilometres driven
    - affect the price of the vehicle, and dependent on the variables behind the tax base, the composition of the vehicle fleet.
Transport Taxes (2)

1. **Purchase Tax**
   - introduced as a pure fiscal tax (state revenue)
   - now: depends progressively on weight, engine volume and engine power
   → contribute to a more “environmentally friendly” composition of the vehicle fleet due to the link between the variables behind the tax base and fuel consumption

2. **Annual Tax**
   - public revenue as its main purpose
   - levied after four different rates on a number of vehicles up to 12 tons, highest rate on passenger vehicles
   - purely fiscal and does not differ with car use

3. **Annual Weight-based Tax**
   - levied on vehicles with an allowed total weight of more than 12 tons
   - consists of a weight-graded annual tax and an environmental-differentiated annual tax
   - the weight-grading system → road wear and tear
   - additional charge on diesel vehicles depending on EU-emission standards → environmental aspects

4. **Re-registration Tax**
   - re-registration tax is purely fiscal and is not intended to cover costs related to re-registration
   - background; used vehicles are not included in the VAT-system
Transport Taxes (3)

5. **Fuel Taxes**
   - taxes on petrol and auto diesel; intended to price external costs related to car use
   - tax on auto diesel is lower than the tax on petrol, even though estimates shows that the external costs related to use of auto diesel are higher than the costs related to use of petrol
   - the present discrimination; due to a political desire to favor business activity.

6. **CO\textsubscript{2}-Tax**
   - levied on mineral oil, petrol and production of oil and natural gas on the continental shelf
   - designed as a product tax, which means that the tax-base is i.e. liter not per ton emission
   - tax-rates differ for the products; higher rate on petrol than on auto diesel
   - also due to the political wish to favor business activity.
Transport Taxes (4)

Inter-ministerial working set up in 2002:

⇒ Assess whether the vehicle taxation system could be re-designed to safeguard environmental and safety concerns in a better way.

⇒ Any proposal for changes should not involve any changes in the state revenue from the vehicle taxation system as a whole.

⇒ In particular the group was asked to consider a proposal for a new system for the purchase tax to stimulate purchase of more environmentally friendly vehicles.
Transport Taxes (5)

⇓ Report April 2003: The group presented it’s recommendations.

⇓ A general conclusion: Recommended a reduction of the fixed taxes (purchase tax) and increase in variable taxes (fuel). This is in line with signals from the European Commission.
Transport Taxes (6) CO₂-component in the Purchase Tax?

- **Consider: CO₂-component to replace the present engine volume component?**
  - assessments indicated; not have a very large effect on CO₂-emissions (close connection between the different types of vehicles and their CO₂-emissions).
  - could cause a small increase in local emissions by giving incentives for increased demand for diesel vehicles (short run)
  - would be more complicated than the present system (vehicle registers)

- **Conclusion:**
  The purchase tax should not be changed at the moment.
This could be re-considered in a few years time.
Transport Taxes (6) Purchase Tax – Uniform Level

Present system: Commercial vehicles are levied only a percentage of the personal car purchase tax, as an attempt to shelter commercial vehicles

- The high level of the purchase tax, origin unfortunate adjustments by encouraging purchase of larger cars.
- Negative from an environmental point of view.
- The working group therefore recommended a more uniform level of the purchase tax across private and commercial vehicles.
- If it is found appropriate to reduce the purchase tax, for instance to compensate for an increase other car taxes, the group recommended that the reduction benefits passenger vehicles.
Transport Taxes (7) Fuel Taxes

• Fuel taxes should reflect marginal external costs related to car use, at least outside the larger urban areas.
• Good indications that the external costs per vehicle kilometer are higher for diesel than for petrol vehicles.
• The tax on diesel is however lower than the tax on petrol.

⇒ Recommendation: tax level on petrol and diesel should be leveled.
⇒ Revenue neutrality: possible reductions in the purchase tax could be combined with an increase in fuel taxes, on diesel in particular.
Transport Taxes (7) Annual Tax

- Environmental differentiation of the annual tax
  - present annual tax system does not include an element of differentiation according to characteristics of the vehicles for vehicles under 12 tons
  - the group recommended that an environmentally differentiated annual tax on vehicles under 12 tons is introduced:
  - In this differentiation, there should be a distinction between petrol and diesel vehicles and their performance according to emission standards
  - differentiation along these lines could contribute to a more environmentally friendly composition of the vehicle fleet.
Transport Taxes (7)

/GPL general agreement on that the present system has weaknesses
/GPL discussions on how to improve the system
/GPL the government will decide to what extent the recommendations from this group will be followed up by actual changes in the system