ACEA
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# ACEA Position Paper
# Road Charging and the Eurovignette Directive


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## KEY MESSAGES

a) Automobile manufacturers support a review of the Eurovignette Directive if its objective is to improve transparency, clarity and proportionality, and to address the charging differentiation of the existing system – all with the aim of encouraging the use of cleaner vehicles.

b) The review should also result in the further harmonisation of the technologies and charging systems used throughout the European Union.

## KEY RECOMMENDATIONS

1) **Charging differentiation**: given that pollutant emissions from the latest Euro VI vehicles have been slashed to near-zero levels and $CO_2$ emissions have been significantly reduced in parallel, road charging should be designed with the aim of promoting and supporting the renewal of the existing fleet.

2) **$CO_2$ infrastructure charges must be differentiated in fine-scale bands**, allowing for the amortisation of transport operators' investments (over 12-24 months). The details of this system should be the object of an implementing act as soon as VECTO $CO_2$ values for new trucks are available.

3) **Transparency**: road charging systems should be as clear, simple and transparent as possible.

4) **Competitiveness**: road transport charges should not be levied in such a way as to adversely affect Europe's competitiveness.

5) **Avoid double taxation**: the charges should be made revenue neutral by reducing or removing other taxes or charges.

6) **Earmarking**: all revenues collected should be reinvested in new and existing road infrastructure, including Intelligent Transport Systems (ITS). Cross subsidisation of other transport modes using fees paid by road users is not an option.

7) **Time-based versus distance-based charging and scope**: national authorities are better placed than the EU to decide on ways of implementing road charging on their territory, provided that the general Treaty principles of non-discrimination are respected. Regarding the scope, there is no justification for an extension of the system to other roads or to all vehicles.

8) **Definitions** (vehicle categories, ZEVs, LEVs, etc) should be consistent with existing European legislation. For example, the proposed definition for zero-emission vehicles (ZEVs) differs from current legislation and low-emission vehicles (LEVs) are not even mentioned.

9) **Congestion costs are not to be included** unless earmarking of the revenues is made mandatory.

The European Automobile Manufacturers' Association (ACEA) believes that the main objective of revising the existing European road charging system (the so-called 'Eurovignette Directive') should be to improve clarity, transparency, predictability, proportionality and charging differentiation in order to further encourage the use and uptake of cleaner vehicles.

## THREE DIFFERENT AIMS OF THE LEGISLATION

While the aim of the first Eurovignette Directive (1999/62/EC) was to eliminate the distortion of competition between transport undertakings in the EU member states, the aim of the 2011 revision (Directive 2011/76/EU) was the protection of the environment.

In May 2017, the European Commission proposed a further revision of the directive with the additional aim of generating revenue and ensuring financing for future transport investment (COM (2017) 275 final, 31 May 2017). The likely coexistence of these **three different aims in a single piece of legislation certainly does not add clarity to an already complex debate**, nor does it facilitate its proper future implementation by member states.

## TRANSPARENCY, INCLUDING THE USE OF REVENUES

Users have the right to know what they are paying for and why. That is why it is vital to provide transparency about the use of revenues. Both vehicle **manufacturers and their customers should know exactly what a system charges for, so they can adapt their products (manufacturers) and their purchasing decisions (transport operators) accordingly**. Without such transparency, road charging will simply become another tax, like the VAT.

The Commission's proposal neither guarantees that double taxation will be avoided nor ensures that the additional revenues will be reinvested in road transport infrastructure or in reducing external costs from road transport.

## NO INCREASED BURDEN: SAFEGUARDING COMPETITIVENESS AND PROPORTIONALITY

The proposal for the revision of the Eurovignette Directive allows member states to introduce additional charges for road users. However, it does not introduce mandatory measures to compensate road users by means of a reduction in vehicle taxes for the increased costs linked to the introduction of additional charges. Indeed, this **competence remains at national level and there is no guarantee that double taxation will be avoided**.

The Commission's proposal to eventually remove the vehicle tax minima for heavy-goods vehicles from the current Directive is a good step forward and supported by ACEA. This would at least offer an additional possibility for member states to compensate for road charges.

Transport charges, and road transport charges in particular, **should not be levied in such a way as**

**to adversely affect Europe's competitiveness**. The impact assessment[1] that accompanied the Commission proposal confirms that transport costs for road users will increase. How much this increase will be, depends on each member state's current charging system and on the extent to which member states will decide to use the revenues from road charging to reduce vehicle taxation. Contrary to the optimistic interpretation of the data made available by the Commission in its impact assessment, ACEA believes that the impact on transport operators and consumers will be significant.

Europe's competitiveness could be enhanced by making the necessary improvements to road infrastructure, using the €428 billion annually paid by road users (in the EU15 member states alone) to widen the existing network and remove bottlenecks. Moreover, this money could be used for the development of Cooperative, Connected and Automated Mobility (CCAM) by allocating the necessary funds for an intelligent EU road network and the deployment of Cooperative Intelligent Transport Systems (C-ITS). Equally important, these funds are much needed for building additional road capacity where necessary and funding the roll-out of recharging and refuelling infrastructure for alternatively-powered vehicles.

## EARMARKING OF REVENUES AND CROSS-SUBSIDISATION

Indeed, it is important that road transport **revenues are used to improve road transport, and in particular infrastructure**. This includes an EU-wide network of infrastructure for alternatively-powered vehicles (linked to the revision of the Directive on Alternative Fuels Infrastructure) and the aforementioned deployment of connected and automated driving. Indeed, upgrading the quality of Europe's road infrastructure is essential to addressing environmental challenges and further improving road safety.

Under the current directive, the extent to which revenues generated from infrastructure and external-cost charges shall be reinvested in road transport is decided by the member states. Unfortunately, the European Commission's proposal for revision of the Eurovignette directive does not propose modifying this.

ACEA does not support the cross subsidisation of other transport modes using fees paid by road users. **Cross subsidisation to make non-road modes of transport more competitive cannot be justified**. The quality and efficiency of such non-road transport services must be improved through opening up the national markets to greater competition.

## INTEROPERABILITY OF THE SYSTEM

The strength of the original Eurovignette scheme was based on the system's interoperability. In fact, **interoperability is one of the key principles that defines a properly functioning road**

[1] SWD (2017) 180 final, 31 May 2017, PART 1/2, Chapter 6.1.1, 'Transport costs'

**charging system**. However, the efficiency of EU vehicle regulations that aim to facilitate easy cross-border road transport has been limited so far. The new EU Directive 2019/520 of 19 March 2019 "on the interoperability of electronic road toll systems and facilitating cross-border exchange of information on the failure to pay road fees in the Union," to be transposed into national law by the member states by 19 October 2021, is welcomed by ACEA as it is expected to make collection systems more interoperable and deliver lower-cost solutions.

## TIME-BASED VERSUS DISTANCE-BASED CHARGING

The geographical specificities of EU member states cannot be neglected without the risk of discriminating certain territories. While distance-based charging could be a suitable solution for some countries, a time-based approach is better suited for countries with larger territories. **National authorities are better placed than the EU to decide on ways of implementing road pricing on their territory**, either based on time or distance, provided that the general Treaty principles of non-discrimination are respected.

## EXTENSION OF SCOPE TO OTHER VEHICLES AND ROADS

As long as there is no mandatory earmarking of collected revenues, **ACEA does not support extending the scope of the Eurovignette Directive to all types of vehicles**, and this for the following four key reasons:

- While commercial transport operators respond efficiently to price signals in order to optimise their operating costs – in line with the environmental and internal market objectives of the Directive – the same does not apply to passenger cars.
- The fact that passenger cars already have a very high degree of cost internalisation.
- Trucks play an essential role in the EU single market: 25% of them regularly cross inner-European and international borders. A harmonised road charging system helps maintain the proper functioning of the internal market. Other types of vehicles, however, are not in the same position.
- National and local authorities are best placed to decide on ways of implementing road charging for light-duty vehicles, buses and coaches, again provided that the general Treaty principles of non-discrimination are respected.

Similarly, the scope of the current directive **should not be extended beyond the roads already covered**. Indeed, member states are better placed to decide where charging systems should or should not be applied.

## VEHICLE CATEGORISATION

Road charging legislation **should not introduce new categories or types of vehicles that are only applicable for road charging purposes**. Instead, such systems should always refer to already established vehicle categories and types found in existing legislation, thereby ensuring consistency with current European legislation and allowing for proper enforcement.

## DEFINITIONS OF ZERO- AND LOW-EMISSION VEHICLES

It is important that the **definitions of zero-emission vehicles (ZEVs) and low-emission vehicles (LEVs) in the Eurovignette proposal are technology neutral** and are **consistent with the relevant definitions used in existing $CO_2$-related EU legislation**[2,3]. Indeed, the proposed definition for ZEVs differs from current legislation and LEVs are not even mentioned at all.

## CONGESTION CHARGING

ACEA believes that congestion costs should not be counted as external costs. Delays in freight or business transport, which incur additional production costs for certain industries, shippers or business travellers, are assumed to already account for congestion effects. Including congestion in external costs would result in double charging and would in fact penalise users for insufficient infrastructure investments. **Congestion charging can only be considered if earmarking of the revenues is made mandatory**. Instead, concrete, alternative options to avoid congestion should be offered to the road freight transport sector, such as using infrastructure during off-peak times.

## VARIATION OF INFRASTRUCTURE CHARGES FOR LIGHT-DUTY VEHICLES

For light-duty vehicles, such as vans, the European Commission proposes to use a compulsory variation of tolls or charges on the basis of a vehicle's $CO_2$ and pollutant emissions, based on the conformity factors as specified in the revised RDE3 legislation. Only vehicles complying with certain conformity factors would benefit from discounted charges under this proposal, provided they emit less $CO_2$ than the fleet average.

However, the proposed **Annex VII, which specifies the emission categories according to which tolls and user charges shall be differentiated, contains some fundamental inconsistencies** – ie contradicting the legislation on conformity factors and discriminating between Euro 6 sub-classes.

## VARIATION OF INFRASTRUCTURE CHARGES ACCORDING TO $CO_2$ EMISSIONS OF HEAVY-GOODS VEHICLES

ACEA strongly supports the possibility of differentiating the infrastructure charges for heavy-goods

[2] Article 3(j) and (k) of Regulation 2019/1242 of 20 June 2019 setting $CO_2$ emission performance standards for new heavy-duty vehicles
[3] Article 3 (m) of Regulation 2019/631 of 17 April 2019 setting $CO_2$ emission performance standards for new passenger cars and for new light commercial vehicles

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vehicles according to their $CO_2$ emission values, provided that such differentiation is introduced in a 'revenue neutral' way. In other words, there should be no increase in the total amount of tolls collected from the transport industry. Concretely this would mean that toll charges for certain vehicles increase, while tolls for other vehicles go down.

The aim of a neutral $CO_2$ differentiation scheme should be to introduce powerful incentives for transport operators to further invest in low-emission technologies and innovations. A successful system, which encourages the use of cleaner vehicles, needs to be predictable over time and the **charges must be differentiated in fine-scale bands.** Only this fine-scale differentiation would **allow for the amortisation of transport operators' investments within a timeframe of 12 to 24 months** (on average).

The European Commission, together with the automobile industry, has put a lot of effort into developing the VECTO computer simulation tool. With VECTO, certified $CO_2$ values are made available for new trucks, providing a solid basis for $CO_2$-based toll differentiation. VECTO will gradually also be applied to new registrations of other vehicle categories in the near future.

Accordingly, the **current Euro-class differentiation of the infrastructure charge element (which the Commission plans to phase out), should in the future be used for the possible external-cost charge for air pollution that has been proposed by the Commission**. Future development stages of VECTO will need to cover innovative technologies, such as the use of alternative fuels and the electrification of heavy-goods vehicles.

Given the nature of the elements under discussion, the definition of the reference $CO_2$ values – and the appropriate **categorisation** and classification of the heavy-goods vehicles concerned – **should be the object of an implementing act by the Commission only after VECTO $CO_2$ values for new trucks are available**.

As an alternative, and for reasons of implementation efficiency and simplification, ACEA would also support that member states are allowed to apply an external-cost charge for $CO_2$ emissions, instead of applying the variation of infrastructure charges according to $CO_2$ emissions.

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## ABOUT THE EU AUTOMOBILE INDUSTRY

- 13.8 million Europeans work in the auto industry (directly and indirectly), accounting for 6.1% of all EU jobs.
- 11.4% of EU manufacturing jobs – some 3.5 million – are in the automotive sector.
- Motor vehicles account for €428 billion in taxes in the EU15 countries alone.
- The automobile industry generates a trade surplus of €84.4 billion for the EU.
- The turnover generated by the auto industry represents over 7% of EU GDP.
- Investing €57.4 billion in R&D annually, the automotive sector is Europe's largest private contributor to innovation, accounting for 28% of total EU spending.

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