

European Communities

EUROPEAN PARLIAMENT

Working Documents

1973-1974

5 November 1973

DOCUMENT 195/73

Report

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drawn up on behalf of the Committee on Regional Policy and Transport

on the proposal from the Commission of the European Communities to the
Council (Doc. 39/71) for a decision on the introduction of a common system of
payment for the use of transport infrastructures

Rapporteur : Mr N. KOLLWELTER

PE 32.719/fin.

EUROPEAN PARLIAMENT

Corrigendum

to the report by Mr Kollwelter Doc. 195/73

Motion for a resolution, paragraph 9, page 6

'9. Requests that the European Parliament be consulted on the Commission's proposals on the rules for fixing the overall economic marginal costs and compensatory payments, since these are of decisive importance for the fairness and workability of the entire system;'

13 November 1973

By letter of 10 May 1971 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 75 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a decision on the introduction of a common system of rates to be charged for the use of transport infrastructures, to which a memorandum is attached on payment for the use of transport infrastructures within the framework of the common transport policy.

The proposal for a decision and the memorandum were distributed as Doc. 39/71.

On 17 May 1971 Parliament referred this proposal to the Transport Committee as the committee responsible and to the Economic Affairs Committee, the Committee for Finance and Budgets and the Committee on Energy, Research and Atomic Problems for their opinions.

The Transport Committee appointed Mr Kollwelter rapporteur on 27 May 1971.

It discussed the proposal and the memorandum at its meetings of 24/25 January 1972, 16 May 1972, 1/2 June 1972, 18 September 1972, 19/20 October 1972, 8 November, 1972, and 30 November/1 December, 1972.

The new Committee on Regional Policy and Transport constituted on 13 March 1973 discussed the draft report at its meetings of 11 July 1973, 25 September 1973, and 9 October 1973.

On 9 October 1973 the Committee on Regional Policy and Transport adopted the motion for a resolution and explanatory statement unanimously, with one abstention.

The following were present: Mr James Hill, chairman; Mr Kollwelter, deputy chairman and rapporteur; Mr Seefeld, deputy chairman; Mr Ariosto, Mr Fabbrini, Mr Giraud, Mr Guldberg, Mr Johnston, Mr Mursch, Mr Noè, Mr Pounder, Lord Reay.

The opinions of the committees consulted are attached.

CONTENTS

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	16
1. Discussion of the proposal and memorandum by the appropriate committees of the European Parliament	16
2. Fundamental significance for transport policy of the system of payment for the use of transport infrastructures	16
3. Situation in the Member States and the way to a more rational future transport policy	18
4. European significance of the system of charging for the use of transport infrastructures	20
5. Problems of reorganization associated with the introduction of the common system	21
6. Advantages of the proposed system	23
7. Comments in the individual provisions in the proposal for a decision	23
8. Summary	27
 <u>ANNEX:</u> Calculation of the social marginal costs of the use of traffic infrastructures	 28
 Opinion of the Committee on Economic and Monetary Affairs Draftsman: Mr R. Johnston	 37
 Opinion of the Committee on Finance and Budgets Draftsman: Mr H. Gerlach	 41
 Opinion of the Committee on Energy, Research and Atomic Problems Draftsman: Mr H. Schwörer	 59

A

The Committee on Regional Policy and Transport hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a decision on the introduction of a common system of rates to be charged for the use of transport infrastructures

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council¹,
 - having been consulted by the Council pursuant to Article 75 of the EEC Treaty (Doc. 39/71),
 - having regard to the report of the Committee on Regional Policy and Transport and the opinions of the Committee on Economic and Monetary Affairs, the Committee on Finance and Budgets and the Committee on Energy, Research and Atomic Problems (Doc. 195/73),
1. Points out that the system of payment for the use of transport infrastructures is one of the most important basic components of any modern transport policy, since the cost of building transport infrastructures forms a very large part of the total transport costs, since a rational price policy can only be developed if costs are correctly charged, and since competition between the different forms of transport can only produce the correct overall economic results on the basis of such a price policy;
 2. Notes that a universally satisfactory system of payment for the use of transport infrastructures has not yet been found in any of the Member States and that efforts at Community level consequently serve not only the interests of harmonization but could also result in considerable progress being made in all countries towards a more rational transport policy;
 3. Underlines the fact that the system of payment for the use of transport infrastructures involves sums running into thousands of millions of units of account and is therefore of great importance to the Community's entire economy and that a wrongly planned system in particular might lead to serious misdirection of economic resources;

¹ OJ No. C 62, 22 June 1971, p. 15

4. Is aware that the system proposed by the Commission of the European Communities will necessitate substantial reorganization in most Member States;
5. Is convinced, however, that the cost and problems of reorganization would in the long run be more than outweighed by the advantages ensuing from the economically correct distribution of infrastructure costs;
6. Points out that an important feature of the Commission's proposal is that the same principles must be applied to all forms of transport; the system must therefore be designed in such a manner that its principles can subsequently be extended beyond railways, inland waterways and road traffic to cover other forms of transport as well;
7. Considers that the decision must be formulated in such a way as to draw a clear distinction between the two equivalent objectives of the system, namely to provide identical conditions of competition for the different forms of transport and to charge all infrastructure costs to the users, thus contributing towards correct overall economic control of the total transport proceeds;
8. Advocates the simultaneous complementary application of the 'Principle of overall economic marginal costs' and the 'Principle of budgetary balance' to every independently operated transport network;
9. Requests that Parliament and the Economic and Social Committee be consulted on the Commission's proposals on the rules for fixing the overall economic marginal costs and compensatory payments, since these are of decisive importance for the fairness and workability of the entire system;
10. Considers that while the system is being introduced compensatory payments must be made to the railways because of incomplete payment for the use of infrastructures in other forms of transport, these payments to be offset against the subsidies paid to the railways and discontinued after final introduction of the system;
11. Considers that the possibility of introducing vehicle taxes in inland waterway navigation should not be excluded from the outset, but should be kept open;
12. Considers that the system should be introduced simultaneously in road transport and inland waterways, namely fifteen years after the decision enters into force;

- 13 . Approves the Commission's proposal subject to the following amendments;
- 14 . Requests the Commission to incorporate the following amendments in its proposal pursuant to Article 149(2) of the EEC Treaty;
- 15 . Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

TEXT PROPOSED BY THE COMMISSION OF
THE EUROPEAN COMMUNITIES¹

AMENDED TEXT

Proposal for a decision of the Council on the
introduction of a common system of rates to
be charged for the use of transport ~~infra-~~
structures

THE COUNCIL OF THE EUROPEAN COMMUN-
ITIES -

Having regard to the Treaty establish-
ing the European Economic Community,
and in particular Article 75 thereof;

Having regard to the proposal from
the Commission;

Having regard to the Opinion of the
European Parliament;

Having regard to the Opinion of the
Economic and Social Committee;

1. Whereas the introduction of a common
transport policy entails the estab-
lishment of a common system of charg-
ing for the use of infrastructure;
whereas such a system must apply to
rail, road and inland waterway infra-
structure in such a way as to ensure
fair conditions of competition in
transport;

THE COUNCIL OF THE EUROPEAN COMMUN-
ITIES -

unchanged

1. Whereas the introduction of a common
transport policy entails the estab-
lishment of a common system of charg-
ing for the use of infrastructure;
whereas such a system must apply in
the first instance to rail, road and
inland waterway infrastructure in
such a way as to ensure fair con-
ditions of competition in transport.

1(a). The system must be designed in such
a way that the other forms of trans-
port can be included at a later date
or that its principles are applicable
to these other forms of transport,
the special requirements of which
must be taken into account.

2. Whereas the introduction of a system
of charging for the use of infra-
structure involves a large number of
measures which can only be adopted
and implemented by stages; whereas,
however, in order to facilitate the
preparation of implementing measures
and to promote coordination of national
policies, the guidelines and general
principles for such a system should
be laid down now;

2. unchanged

¹ Available only in Dutch, French, German and Italian

3. Whereas the system of charging must satisfy the dual aim of promoting optimum utilization of existing infrastructure and of ensuring that all expenditure involved in the construction and operation of infrastructure is borne by the users of that infrastructure; whereas this objective will be attained if the charges for various categories of traffic are fixed according to the relevant marginal social cost, with the addition, where necessary, of an amount sufficient to ensure that the total expenditure in respect of the infrastructure in question is covered by the revenue from the use thereof;
4. Whereas, in order to ensure that existing capacity is put to optimum use, it is desirable that, as far as possible, the charges applicable to the various categories of traffic be adjusted to take account of variations in the marginal social costs relating to those categories;
5. Whereas the means should be defined whereby the system of charging for the use of road and inland waterway infrastructure is to be implemented; whereas, as regards private cars, the possibility of imposing an additional charge should be allowed for, the level of such charge to be fixed having regard, in addition to budgetary requirements, to various social and other considerations;
3. Whereas the system of charging must satisfy the dual aim of helping to achieve, from the point of view of the economy as a whole, a favourable distribution of traffic between the different transport infrastructures and transport types, and of charging to the users all expenditure involved in the construction and operation of infrastructure, thus ensuring a generally satisfactory overall volume of transport; whereas this objective will be attained if the charges for the various categories of traffic are fixed according to the relevant marginal social cost, with the addition, where necessary, of an amount sufficient to ensure that the total expenditure in respect of the infrastructure in question is covered by the revenue from the use thereof .
('Equalizing charge')
4. Whereas, in order to ensure that existing capacity is put to optimum use, it is desirable that, as far as possible, the charges applicable to the various categories of traffic be adjusted to take account of (deletion) the marginal social costs relating to those categories.
5. unchanged

TEXT PROPOSED BY THE COMMISSION OF
THE EUROPEAN COMMUNITIES

AMENDED TEXT

6. Whereas it is necessary to fix now the duration of the period during which the common system of charging for the use of road and inland waterway infrastructure is to be gradually established, account being taken of the effect of the proposed measures on competition between modes of transport; whereas, however, provision should be made to enable the programme and timetable to be drawn up by the Council for this purpose to be amended as necessary in accordance with the results obtained;
7. Whereas, in order to create fair conditions of competition between modes of transport during the period while the common system is being established, it is necessary to make provision for payment of compensating grants to railway undertakings in the event that the expenditure relating to road and inland waterway infrastructure is not borne in full by the users of that infrastructure;
8. Whereas the possibility cannot be excluded of serious economic and social difficulties occurring in particular sectors of the economy in a Member State following implementation of the system of charging for the use of infrastructure; whereas it is necessary to provide for temporary derogations from the common provisions to deal with such difficulties and to define the procedure for authorizing such derogations;
6. unchanged
7. Whereas, in order to create fair conditions of competition between modes of transport, (deletion) it is necessary to make provision, during the running-in period, for payment of compensating grants to railway undertakings in the event that the charges relating to road and inland waterway infrastructure are not borne in full by the users of that infrastructure;
8. unchanged

HAS ADOPTED THIS DECISION:

Article 1

There shall be introduced within the Community, in the manner and within the time limits laid down in this Decision, a common system of charging for the use of infrastructure for the purposes of transport by rail, road and inland waterway.

Article 2

1. The aim of such a system of charging shall be to promote optimum utilization of infrastructure, while generating sufficient revenue to cover all expenditure relating to such infrastructure attributable to its transport function.

To this end, the charges applicable to the various categories of traffic must be so fixed as to be equal to the marginal social cost of the use of infrastructure by those categories. Should the revenue produced by such charges be less than the corresponding expenditure, there shall be added to the marginal social cost an equalizing charge, the amount of which shall be such as to ensure that the said expenditure is covered.

2. The Council, acting by a qualified majority on a proposal from the Commission, shall lay down rules for calculating marginal social costs and equalizing charges.

HAS ADOPTED THIS DECISION:

Article 1

unchanged

Article 2

1. The aim of such a system of charging shall be to generate sufficient revenue to cover all related expenditure chargeable to the transport sector for the construction and maintenance of infrastructure. At the same time, these charges should help to promote a satisfactory spread between the various categories of infrastructure and result in a socially satisfactory traffic volume.

unchanged

2. After consulting Parliament, the Council acting by a qualified majority, on a proposal from the Commission shall lay down rules for calculating marginal social costs and equalizing charges.

Article 3

The expenditure within the meaning of Article 2(1) to be covered over a specified period by the revenue arising during that period shall comprise the following expenditure incurred during that period:

- investment expenditure (expenditure in respect of construction, reconstruction and renewals of installations);
- current expenditure (expenditure in respect of the maintenance and operation of such installations and on administrative services).

Where investment expenditure is financed by borrowing the revenue raised by charging must, over a specified period, be equal to the sum of the following two items:

- expenditure incurred during the period in question not covered by borrowing;
- repayments and interest charges attributable to the period in question in respect of loans contracted earlier to finance investment expenditure.

Article 4

The scale of charges for the use of infrastructure shall differentiate to the maximum extent possible between categories of traffic having different marginal social costs. Within each category of traffic separate charges shall be applied wherever this is justified by variations according to time and locality in the use of infrastructure and is possible, having regard to the cost of collection, with the means available.

Article 3

unchanged

Article 4

unchanged

Article 5

Separate charges for the use of infrastructure shall be fixed in respect of engineering works, routes or networks operated as separate entities.

Article 6

1. The system of charging for the use of infrastructure shall be implemented by the following means:

- in respect of roads, by means of vehicle taxes, fuel taxes and measures for direct charging;
- in respect of waterways, by means of navigation dues.

2. The use of vehicle taxes and fuel taxes as means of charging for the use of infrastructure shall not prevent the imposition, in particular to meet taxation requirements, of additional charges on ownership of private vehicles or on consumption of fuel used by such vehicles.

Article 7

1. The system of charging for the use of infrastructure shall be established by stages. Subject to any extensions authorized by the Council under Paragraph 3 hereof, establishment of the system shall be completed by not later than 31 December 1981 in respect of roads and by 31 December 1986 in respect of waterways.

The timetable of the stages and the measures to be taken during each of these shall be laid down by the Council on a proposal from the Commission.

Article 5

Separate charges for the use of infrastructure shall be fixed in respect of engineering works, routes or networks operated as separate entities.

For this purpose the principle of marginal social costs and of budgetary balance shall be applied, as provided in Articles 2, 3 and 4.

Article 6

1. The system of charging for the use of infrastructure shall be implemented by the following means:

- (deletion) vehicle taxes, fuel taxes and measures for direct charging for the use of roads and
- navigation dues and possibly boat dues for the use of waterways.

2. unchanged

Article 7

1. The system of charging for the use of infrastructure shall be established by stages. Subject to any extensions authorized by the Council under Paragraph 3 hereof, establishment of the system shall be completed not later than fifteen years after the entry into force of this decision.

unchanged

2. If during the period of establishment of the charging system the application of measures prescribed for any stage gives rise to serious economic or social difficulties in any sector of the economy, the Commission may, at the request of a Member State and after consulting the other Member States, authorize, for a limited period, derogations from those measures. Disturbances caused by such derogations to the establishment of the system must be kept to a minimum and the derogations must not go beyond what is strictly essential to remedy the difficulties found to have arisen.

3. Before the end of each stage the Commission shall present to the Council a report on the results of the measures applied during that stage. In particular, the report shall record any derogations granted under Paragraph 2 and shall if necessary be accompanied by proposals to extend the duration of the stage in question or to amend the measures to be implemented during the following stage.

4. Where, during the period of establishment of the charging system, infrastructure costs in respect of transport by road and inland waterway are not borne in full by the users of those modes, appropriate compensating grants, calculated in accordance with common rules to be laid down by the Council on a proposal from the Commission, shall be paid to railway undertakings.

2. unchanged

3. In good time before the end of each stage, the Commission shall present to the Council a report on the results achieved in the reporting period by the measures applied during that stage. In particular, the report shall record any derogations granted under Paragraph 2 and shall, if necessary, contain proposals to extend the duration of the stage in question or to amend the measures to be implemented during the following stage.

4. Where, during the period of establishment of the charging system, infrastructure costs in respect of transport by road and inland waterway are not borne in full by the users of those modes, appropriate compensating grants, calculated in accordance with common rules to be laid down by the Council on a proposal from the Commission, shall be paid to railway undertakings.

TEXT PROPOSED BY THE COMMISSION OF
THE EUROPEAN COMMUNITIES

Article 8

This decision is addressed to the
Member States.

AMENDED TEXT

State subsidies paid in Member
States shall, however, be offset
against these compensating grants.

Article 8

unchanged

Explanatory Statement

1. Discussion of the proposal and memorandum by the appropriate committees of the European Parliament

1. The memorandum and proposal from the Commission of the European Communities for a decision on the introduction of a common system of rates to be charged for the use of transport infrastructures were discussed by the European Parliament's Committee on Transport, as the committee responsible, and by the committees asked for their opinions at numerous meetings in 1971 and 1972, and 1973.

Many questions were put to the Commission of the European Communities during this period. A large number of proposed amendments were considered and discussed in detail with the Commission's experts. Most of the controversial questions were answered satisfactorily and the majority of the proposed amendments were withdrawn following consultations with the Commission.

2. The general view of your committee is that this proposal from the Commission is a well thought-out and coherent document which can serve as a basis for a common transport policy.¹

3. Certain parts of the proposals are not easy to understand, and your committee had to ascertain that this was not due to a lack of clarity in the proposed texts, but simply to the fact that the problem of the costs of transport infrastructures is one of the most complex aspects of transport policy.

4. In this explanatory statement the individual amendments proposed will not be discussed at length since they have no fundamental importance for the document as a whole. However, an attempt will be made once again to explain why a common solution must be found to this difficult question in the framework of European transport policy, why no common transport policy is feasible without such a solution and why it is proposed that the European Parliament should approve the substantial reorganization that the Member States are being called upon to undertake as a result of the proposals from the Commission of the European Communities.

2. Fundamental significance for transport policy of the system of payment for the use of transport infrastructures

5. The problem of payment for the use of transport infrastructures is by no means specific to Europe, nor does it stem from the creation of the Community.

It is a problem invariably associated with transport policy in every single

¹ A minority of two members expressed doubt as to the practicability of the system.

Member State, indeed in every modern industrialized country throughout the world.

6. In all modern industrialized countries, transport has become one of the most important production factors, since it allows industrial activity to be spread over different geographical areas. The overall economic structure of every country depends on the available transport facilities. Rational exploitation of a country's economic resources is possible only if all the production factors, including transport facilities, are properly costed by manufacturers and users at the planning stage. Expenditure on transport infrastructures accounts for a major proportion of transport costs. If inadequate allowance were made for the use of transport infrastructures for costing purposes or if it were decided even not to charge the user at all for such services, this would lead to an excessive level of transportation and the burden of transport costs to the country concerned would be too high. Conversely, if transport became too expensive, this would reduce opportunities to disperse industry, thus retarding industrial progress in the country in question.

7. Correct control of the economic resources of a country clearly presupposes that costing by transport undertakings is based on the true costs of the use of transport infrastructures, and these should be reflected in the prices which, in turn, guide demand for transport services.

8. Apart from this fundamental problem of proper control of the overall transport yields, a modern economy has to contend with the problem of competition between the various types of transport.

9. Irrespective of whether it is preferred to allow competition to decide which form of transport is to prevail in any given instance or to entrust this decision to the authorities, proper costing of individual forms of transport is possible only if it is based on true infrastructure costs and if these are reflected in the prices charged for transport.

10. This problem can be very easily resolved in the case of the railways, which plan, build, and maintain their own transport infrastructures.

Difficulties arise in this sector only where the government, motivated by overriding considerations, calls upon the railways to take measures which do not accord with their economic self-interest; problems may also sometimes be encountered in deciding how to apportion the costs of rail infrastructures between passenger and goods traffic making joint use of the railway system. This type of problem also arises in other sectors of the economy.

11. The problem of devising a system of charges for the use of transport infrastructures becomes more intractable in other forms of transport where planning, construction and maintenance come under the state, but where the

infrastructures are used by a large number of economically independent private or state concerns and by private individuals. None of these are involved in the planning, nor do they bear any responsibility for the costs of construction or maintenance.

12. If the state were to make such transport infrastructures available free of charge to these undertakings, the railways would be placed at a competitive disadvantage, with a consequent misdirection of economic resources on a vast scale.

13. It is therefore essential to find some way of charging users for the cost of transport infrastructures.

Such charges can take a variety of forms, for example vehicle taxes, transport taxes, taxes on fuel, tyres and the like and direct charges for transport infrastructures (motorway tolls, bridge tolls, shipping dues, parking charges etc.).

14. If the true infrastructure costs are charged in this way to their users, in other words the transport undertakings, the latter will have to pass these costs on to their customers, who will be able, in selecting between rail, road or inland waterway, to reach a decision on the basis of 'correct', i.e. undistorted prices reflecting all the component costs.

In this connection your committee calls attention to the fact that the Commission's proposed system of charging in full for the use of transport infrastructures does not exclude the possibility that in certain cases, e.g. for reasons of social or regional policy, rates might be charged which would not result in the full cost being passed on to the user. In such cases it would in fact be much easier, after the introduction of the system of charging infrastructure costs, to calculate the compensation to be paid by the State, e.g. where social tariffs are applied in public passenger transport under Regulation No. 1192/69 of 26 June 1969 on common rules for the normalization of the accounts of railway undertakings (Official Journal No. L 156, 28 June 1969).

3. Situation in the Member States and the way to a more rational future transport policy

15. The great difficulties in this area arise from the fact that none of the Member States has a satisfactory, rational system of charging for the use of transport infrastructures.

16. In every country the railway system is governed by legislation dating from an era when railways had a virtual monopoly of long-distance transport

of goods and passengers. Road traffic legislation is often based on concepts born in the days of the mail coach. At any rate, in no country has a rational system of charges for the use of transport infrastructures been developed from scratch; changes have invariably taken the form of tentative modifications to organically developed historical systems.

17. Thus it is by no means accepted in every country that the abovementioned taxes should be regarded as payment for the use of transport infrastructures. In France, a vehicle tax was originally introduced to finance a national solidarity fund. The 7% transport tax introduced in Germany during the first world war was designed simply to give the treasury more ready access to the surplus earnings of the railways. In most countries a petroleum tax was introduced as a luxury tax on the owner-driver, and so on.

18. The idea of charging for transport infrastructures made slow headway because in many quarters it was regarded as part of the normal responsibilities of governments and local authorities to keep roads passable and rivers navigable. Only when the authorities first noted the alarming deficits of the railways did they become aware that roads and waterways had developed into industrial facilities.

19. Road building is no longer a question of filling in the largest holes with stones and laying a few logs to cover up the muddiest stretches. Waterway maintenance is no longer a matter of mowing the towpath and cutting the reeds from time to time. Road building is now a major industry.

20. The internal combustion engine became a revolutionary economic factor only with the introduction of the pneumatic tyre and asphalt road surfacing.

21. In none of our countries have organizational measures managed to keep pace with this technical revolution. Tax systems and transport legislation have so far failed to take proper account of it.

22. It is therefore to be welcomed that the need to formulate a European policy has now induced every one of our countries to come to grips with this long-standing problem and to review existing, historically developed systems.

It is a matter for satisfaction that the European initiative has opened the way to a more rational transport policy in all countries of the world.

4. European significance of the system of charging for the use of transport infrastructures

23. Everything that has been said so far holds true for every single country in the world, and is in no way connected with specifically European policy.

However, in Europe important considerations make it essential to find a real solution to the problem of transport infrastructure costs, on a common basis.

24. It is no exaggeration to say that no common transport policy can exist without a common solution to the question of transport infrastructure costs.

25. Infrastructure costs are one of the most important components of transport costs. Unless a proper charge for them is made to the user, it is impossible to arrive at properly costed prices for the use of transport facilities. Harmonization of social costs, fiscal costs, insurance costs, and technical regulations that affect costs - all these European measures are of the greatest significance. And yet they would be completely unavailing if the most important of all cost factors in transport, namely infrastructure costs, is not calculated on a common basis. Sensible pricing is out of the question unless cost-influencing factors are taken into proper consideration. In other words, without a solution to the problem of transport infrastructure costs, the Community's entire transport pricing policy is threatened with collapse.

All other efforts in the area of the common transport policy stand or fall by pricing policy. Is it possible to achieve greater freedom in traffic across national frontiers as long as a variety of systems is employed to charge for the use of transport infrastructures? Can one really hope to eliminate all discrimination as long as the basis of costing is distorted by incorrect charging for infrastructure costs? Any number of such examples could be cited.

26. Quite apart from these considerations which relate purely to transport policy, there is also an argument of significance to the economy as a whole which makes a European solution essential: The costs of transport infrastructures in our modern industrialized states involve such huge sums that their management has an important bearing on the national budget, and indeed on the entire economy. The very existence of different solutions to the problem of transport infrastructure costs in two countries would result in appreciable distortion of competition between the industries in those countries.

27. If two countries were to adopt totally conflicting solutions to this problem, e.g. if in one country all such costs were charged to the general national budget whereas in the other the user's contribution had to provide a surplus over and above the actual cost of the transport infrastructures (in order to provide tax revenue), then these two countries could not work together within a common market.

5. Problems of reorganization associated with the introduction of the common system

28. It is fortunate that extreme solutions to this problem have not been adopted anywhere in the Community, although in some countries there are those who favour such solutions.

29. Nevertheless, introduction of the system proposed by the Commission will entail great difficulties of reorganization.

30. Transport sectors that have not hitherto borne the full cost of infrastructures and will be called upon to do so in the future must expect a fall in traffic as their prices increase. This could lead certain undertakings to collapse. On the other hand, price increases in one form of transport accompanied by price reductions in another could result in a growth in traffic for the latter, forcing undertakings suddenly to embark on a programme of investment.

31. Such difficulties provide a direct measure of earlier mischanelling of economic resources. Whilst such difficulties may of course be deplored, they do provide an indication of the real benefits to be derived from a rationalization of transport policy.

32. It is obviously not the Commission's intention to demonstrate the effectiveness of its policies by forcing transport undertakings to the wall. Accordingly, in all the measures to be taken by the Community and the Member States provision is made for extremely long transitional periods in order to forestall any drastic repercussions.

33. Large-scale reorganization will be called for not only on the part of the transport undertakings, but also in government budgeting. However, a change-over to an equitable system of charging for the full costs of transport infrastructures should help government budgeting even more than the transport industry, by reducing the burden on the general taxpayer. After the introduction of the system proposed by the Commission the entire costs of constructing transport infrastructures would merely represent a self-balancing item, since the revenue taken from users would be transferred directly to the various building funds, whose requirements they would cover in full. Your committee

points out in this connection that budgeting would become much simpler if it were possible to deal with construction programmes in conjunction with recovery of infrastructure costs.

34. Transitional problems could also arise in the car industry and in the energy sector. A neutral transport policy system with respect to petroleum taxation could lead to shifts in the relative utilization of the different petroleum products (petrol, high-octane petrol, diesel fuel). In this connection, note should be taken of the views expressed by the Committee on Energy, Research and Atomic Problems in its opinion of 27 October 1971 (see page 59).

6. Advantages of the proposed system

35. In all Member States introduction of the common, modern system of charging for the use of transport infrastructures would lead to substantial economies, by putting an end to the misdirection of resources under the old system.

36. These economies will in the long run more than offset the reorganizational costs incurred during the transitional period. Provided the transitional period is sufficiently long, it will be possible to allow for reasonably full depreciation or withdrawal from service of the transport installations and equipment procured under existing distorted conditions and no longer required in the future.

37. The proposed system will also bring us closer to a solution of the problem of traffic congestion in cities, and will help to establish a sensible relationship between public and private transport in urban centres.

7. Comments on the individual provisions in the proposal for a decision

38. Considerations, para. 1: Your committee endorses the Commission's proposal that the problem of rail, road and inland waterway transport should be solved in the first instance. No other approach is in fact possible on the basis of Article 84 of the EEC Treaty. However, a phrase needs to be added to indicate that, in principle, a solution will one day also have to be found for the other forms of transport. For the present this eventuality must be allowed for by ensuring that Community provisions and the Member States' implementing measures are such that major reorganization will not again be required later, when the other forms of transport, such as air and sea transport, pipelines and so on, are also integrated into the system.

39. Considerations, para. 3 and Article 2 (1): In place of the all-embracing statement of the purpose of the proposed Community measure ('optimum utilization'), your committee would like to see a wording that differentiates between two distinct objectives (as explained above): on the one hand correct overall economic control of the total transport yield and on the other correct overall economic distribution of this yield between the various forms of transport.

The Committee on Budgets has proposed a similar amendment. It may be pointed out that the objective of 'correct overall economic distribution of the transport yield between the various forms of transport' means the same as the creation of 'equal conditions of competition between competitors on the transport market', as proposed by the Committee on Budgets

40. At the end of the third paragraph of the considerations contained in the preamble to the Commission's proposal, it may be clearer to add in parenthesis the word 'compensation charge', in order to make it quite plain

that the 'additional amount' mentioned in this paragraph refers to the 'compensation charge' indicated in Article 2 (1) sub-paragraph 2.

41. Considerations, para. 4: a purely linguistic clarification is required here. Marginal costs are already a measure of cost variations, so that the word 'variations' is inappropriate¹. Furthermore, the word 'corresponding' marginal costs is added to make clear that costs should be apportioned among the various transport categories as accurately as possible.

42. Considerations, para. 7: your committee proposes that the wording of this paragraph should be brought into line with that of Article 7 (4), where it is made clear that compensation payments must be made to railway undertakings during the transitional period, but it follows that these payments should be discontinued at the end of this transitional period. The considerations contained in the preamble to the Commission's proposals refer only to the point at which the compensation payments begin ('before the beginning of introduction').

43. Article 2 (1): apart from the remarks already made in connection with the considerations, it should be added that your committee endorses the principle whereby all the expenditure chargeable to the transport sector must be covered by the users of transport infrastructures, but that, on the other hand, all costs unrelated to the transport sector must be carefully excluded from this calculation.

44. Your committee endorses the Commission's proposal, whereby costs are apportioned on the principle of the 'overall economic marginal costs', any shortfall being collected in the form of 'compensation charges', in order to respect the principle of the balanced budget. It is in accord with current economic theory. Even if there is a measure of conflict between the two principles, better results will be obtained where they are both applied than where one of them is neglected.

45. Article 2 (2): the Council is to be asked to fix the rules for determining the overall economic marginal costs and compensation charges, acting upon a proposal from the Commission. A particularly thorny problem here is to decide whether the compensation charges should be determined in proportion to the marginal costs or in some other way. In any case, your committee calls upon the Commission to submit the relevant proposals as early as possible, since it is on this factor that the flexibility of the system partially depends.

¹ Since the term 'overall economic marginal costs' is the key concept in the whole system, an explanation of it, prepared for the Committee on Regional Policy and Transport by the appropriate departments of the Commission is appended to this report (Annex 1).

46. The Committee on Budgets proposed the addition of a provision whereby the European Parliament and the Economic and Social Committee must be consulted before the rules of calculation are determined. Since the workability and fairness of the entire system depend on these rules, your committee endorses the proposed amendment, although it recommends that only the European Parliament should be consulted.

47. Article 3: your committee considered revising the terminology used in this article, but it certainly endorses the Commission's objectives

The Committee on Budgets also proposed what it considered to be a better wording, without altering the substance of the article. However, in your committee's view this proposal, too, fails to overcome all the difficulties in wording, and the text was eventually left unchanged.

48. Article 4: your committee approves the Commission's proposal to vary the charges as far as possible according to transport categories. One task of transport policy in the future will be to define the different transport categories.

49. Article 5: your committee approves the Commission's proposal that varying rates for the use of transport infrastructures must be applied when the different transport routes or traffic networks (motorways, canals) or even individual traffic engineering works (bridges, tunnels) are independently operated. The committee has proposed an additional provision to ensure that the principle of overall economic marginal costs and the principle of budgetary balance are applied in every single instance. In other words, the general principles must not be waived for a particular motorway or bridge.

50. Article 6: in this case your committee wanted not only to improve the wording, but also to introduce a modification: in para. 1, 'vehicle taxes' should be added in respect of inland waterway navigation. Your committee does not consider that vehicle taxes have to be levied on inland waterways in all circumstances, it simply wishes to keep the possibility open. A combination of vehicle taxes and shipping dues might prove to be a more flexible way of overcoming the problems inherent in inland waterway navigation.

51. Article 7 (1): your committee warns against the undesirability of setting different deadlines for the introduction of the system in road and inland waterway transport. The desire to proceed more rapidly in forms of transport in which fewer difficulties seem likely to be encountered during the transitional period is of course understandable.

52. Such a procedure, however, would result in considerable distortions: firstly, between the two forms of transport themselves, and secondly distortions in relation to the railways. According to Article 7 (4) 'during the introductory period' the railway undertakings are to receive compensation payments to offset the shortfall in revenue from the users of other transport infrastructures in relation to the revenue required to cover expenditure on them. When does this transitional period end? When road transport has reached the appropriate stage of development, or only when inland waterway navigation has caught up? Are the railways still to receive compensation payments when road transport reaches the stage at which it is already fully covering its costs if inland shipping has not yet reached that stage? How high should the compensation payments be, and should not road transport also receive compensation payments?

53. The Commission's representatives have replied that compensation payments to the railways would be calculated on the basis of individual competing routes. In the case of routes with strong competition from the inland waterways, the compensation payments would be calculated according to the inland waterways' infrastructure cost deficit, and in the case of other routes only according to the infrastructure cost deficit of road transport. However, this reply cannot be regarded as satisfactory, since road transport is also active on all routes affected by competition from the inland waterways. Is one then to differentiate also according to the goods carried? This would plainly result in an excessively complex calculation. All of these questions must be answered during the transitional period. Additional problems must not be created in connection with the dates set for the end of this period.

54. It is therefore proposed that the transitional period should be the same for inland waterways and road transport.

Taking account of the special difficulties that will be encountered by the inland waterways in approximating to the Community system, a transitional period of 15 years appears to be called for.

Of the amendments proposed by the Committee on Budgets, we have adopted only the first, whereby 'charges' is replaced by 'system of charges'.

55. Article 7 (2): your committee feels that a word or two of explanation should be given concerning this provision. While problems

may arise in transport and other branches of the economy, they may also affect public finance. Moreover, we should not confine our attention to those branches of the economy which are involved in the production of means of transport, such as vehicle building, petroleum industry, etc., since difficulties may also arise in the case of transport users.

56. On the other hand, your committee wishes to make sure that the whole system will not cease to function if such difficulties arise. The last sentence in this paragraph must therefore under no circumstances be deleted, as the Committee on Budgets appears to propose.

57. Article 7 (3): the amendment proposed here relates merely to a more practical form of wording.

58. Article 7 (4): the Committee on Budgets proposes that an addition be made to this paragraph to ensure that the compensation payments are offset against the state subsidies paid in various Member States to the railways. Your committee regards this as self-evident in view of the Community arrangements already in existence for the railways. However, since the proposal put forward by the Committee on Budgets may make for greater clarity, it has been incorporated in the motion for a resolution.

8. Summary

59. As already stated, your committee is convinced that the system proposed by the Commission will entail considerable changes and no doubt also problems of adjustment in the Member States. It should, however, be stressed yet again at this point that a common transport policy is inconceivable without a solution to the problem of transport infrastructure costs. At any rate, without such a solution, we could not have a common transport policy that would contribute to the rationalization of the economy.

60. The Commission's proposal is therefore endorsed.

Calculation of the social marginal
costs of the use of traffic infrastructures

(Explanatory document prepared by the appropriate departments
of the Commission of the European Communities)

1. The social marginal costs¹ of the use of traffic infrastructures consists of three components:
 - (a) Marginal costs of the use of traffic infrastructures. These marginal costs represent the additional expenditure for maintenance, renewal, operation and administration resulting from the introduction of an additional unit of traffic;
 - (b) Marginal cost of congestion. These marginal costs are those incurred by the existing traffic system as a result of the introduction of an additional unit of traffic, excluding the costs accruing to the victims of accidents. They include time losses, expressed in terms of money, resulting from a slower flow of traffic, the increased fuel consumption caused by more frequent gear-changes, higher expenditure on vehicle maintenance, the cost of longer delivery times and slower journey times etc.
 - (c) External marginal costs. These are the costs to the public resulting from the introduction of an additional unit of traffic but not comprised in the marginal costs of use or of congestion. They include in particular the marginal cost of accidents, the cost of environmental pollution e.g. by noise or smoke, and the cost of the obstruction which one form of transport constitutes for the users of another. The last-mentioned costs are predominantly those incurred by road transport as a result of railway level crossings and those caused by inland waterways necessitating opening bridges.
2. The details of calculating social marginal costs were examined in depth in the sample survey entrusted to the Commission by the Council in May 1965. The purpose of this survey, which was carried out with the help of experts from different Member States, was to assess various possible systems of charging for the use of traffic infrastructures and the corresponding methods of calculation. The survey included a practical example to test the validity of these methods and obtain figures with which to assess the application of the charge systems investigated to a specific route. The

¹ In the German text the term 'social marginal costs' originally used by the Commission was replaced by 'overall economic marginal costs'.

Paris-Le Havre transport route was chosen for this experiment. The results of the study will be found in the report¹ submitted by the Commission to the Council in March 1969.

The following passages outlining the details of calculating the social marginal costs are based mainly on this study, but take account also of the available results of other studies which have since been started, but not completed, at Community level. They include

- the study of the theoretical and practical problems involved in charging for the use of roads in urban areas (Council Decision No. 70/108/EEC of 27 January 1970²);
- the studies which the Council decided to undertake on 27 January 1970 in order to ascertain the results to be expected from implementation of the proposal for a first Council directive on the approximation of national taxation systems for commercial vehicles. Having made a report³ to the Council on the progress of these studies, the Commission is now attempting in conjunction with experts from Member States, to harmonize the procedures for calculating the marginal cost of use of traffic infrastructures, since they form the basis of the proposed tax adjustment;
- surveys which the Council decided to undertake on 3 December 1971 with a view to determining the effect on railway, road and inland waterway traffic of the phased measures to introduce charges for the use of traffic infrastructures. The purpose of these surveys was to calculate among other things the marginal cost of use and, if possible, other components of the social marginal costs, for the most important elements of the three forms of transport.

Marginal cost of use of traffic infrastructures

3. Calculation of the marginal cost of the use of traffic infrastructures is extremely difficult, mainly for two reasons.

On the one hand, the relevant expenditure differs considerably depending on the standard of maintenance. The wear and tear caused by traffic is not repaired immediately but only when it has reached a certain level. For this reason it is generally impossible to calculate directly as in industrial production, the additional expenditure caused by the introduction of a further unit of traffic, with the result that correlations must be established between changes in cost and changes in traffic which go beyond the actual marginal

¹ Report on sample survey pursuant to Article 3 of Council Decision No. 65/270/EEC of 13 May 1965, Doc. SEC(69)700 final of 12 March 1969.

² OJ No. L 23, 30 January 1970, p.24.

³ SEC(71)2911 fin., 28 July 1971.

unit. This method of calculation should, however, be used with great caution.

In addition, information on production functions is often defective because almost no experimental measurements are available. This again makes it necessary to search for statistical correlations.

4. From the point of view of method, it is especially difficult to calculate the marginal cost of renewal which, together with the marginal cost of maintenance and the marginal cost of operation, forms part of the marginal utilization cost. The marginal cost of renewal, unlike the two other factors which involve everyday work reflects the change in the cost of work carried out at several years' interval.

This cost can be calculated by two different methods, which do not always give the same results. With the first method, the marginal cost of renewal is equated with the additional expenditure per additional unit of traffic which should have been effected at the last renewal of the installation in question in order to ensure that its service life was as long as it would have been without the additional traffic. With the second method, the marginal cost of renewal is considered as the cost resulting from bringing forward renewal programmes because of a marginal increase in traffic. This requires a current value calculation.

Marginal cost of the use of railways

5. In the sample survey, the calculation of the marginal cost of use of railway infrastructures took into account only the renewal cost for main lines and catenaries. These calculations were based on the assumption that the time interval between individual renewals of these installations depended on the total traffic and the electrical traction traffic, both expressed in metric ton/km, while all other expenditure on maintenance, renewal and operation of railway infrastructures was treated as not being dependent on traffic.

In the Community studies currently in progress to determine the effects of introducing a common system of charges for the use of traffic infrastructures, the production functions of railway infrastructures are being reviewed in their entirety in order to ascertain in the light of the latest information whether the cost factors not taken into account in the sample survey are not also traffic-dependent.

On the basis of present knowledge it is not possible to differentiate between marginal utilization costs according to the various forms of traffic. Calculations to establish the extent to which results vary as a function of the power of axle-loads have in fact shown that they are scarcely dependent on this factor, since axle-loads vary only slightly and are almost the same in passenger and freight trains.

Marginal cost of the use of roads

6. It is far more difficult to determine the marginal cost of the use of roads. A detailed analysis revealed that the marginal cost of the use of roads is composed of three factors: the marginal cost of traffic police, the marginal cost of road maintenance and the marginal cost of road resurfacing. Any other expenditure on maintenance, renewal and operation (for instance traffic signs, lighting and auxiliary road installations) is not traffic-dependent.

7. The marginal cost of traffic police can be determined by two methods: with the first one, the time patterns of expenditure on traffic police and of traffic performance are compared, while the second method consists in correlating expenditure on traffic police and the volume of traffic on certain roads, the selection of which takes into account factors which could influence this expenditure.

The marginal cost of the individual vehicle categories is calculated by differentiating between them according to different traffic obstruction coefficients.

In analyzing the marginal cost of road maintenance and renovation, use was naturally made of the results of the AASHO test carried out some years ago in the USA to determine experimentally road resistance to wear caused by the different axle-loads. Although the test conditions were not fully comparable with conditions in Europe, and the test results did not take into account all factors which might affect the condition of a road, this test provided a unique collection of scientific data which it is imperative to use, although the reason for referring to this data must be indicated in each specific case. The results of the AASHO test were in fact interpreted very cautiously and, as far as possible, checked carefully against other results and the practical experience of engineers.

With appropriate modifications, the marginal cost of current road maintenance can be calculated by one of the two methods given above for calculating the marginal cost of traffic police, or by a third method based on a qualitative analysis of the different types of maintenance work.

As far as the differentiation between marginal maintenance costs according to vehicle categories is concerned, the Commission decided to use the method derived from the AASHO test; with this method it is possible to calculate maintenance expenditure which varies as a function of road wear in fourth power proportion to axle loads.

In the context of work by the Council departments on the proposal for a

Council directive on the approximation of national taxation systems for commercial vehicles, a delegation decided, however, that a distinction should be made between:

- damage to roads in depth caused by heavy loads

and

- surface wear caused by other, often little-known, factors (speed, spiked tyres, etc.).

The share of marginal maintenance cost accounted for by damage in depth is charged to the individual vehicle categories in proportion to the fourth power of their axle loads. The remainder can be apportioned in relation to the unladen axle load.

The marginal cost of carriageway renovation can be calculated by one of the general methods given in section 7, taking particular account of the results of the AASHO tests.

These costs vary for the different vehicle categories in accordance with the fourth power of the axle load.

Marginal cost of the use of inland waterways

8. Calculation of the marginal cost of the use of inland waterways is difficult because no experimental studies have yet been made of production functions and expenditure on maintenance and renewal of installations is incurred at widely varying intervals. Moreover, it is generally not possible, because of the non-differentiated accounting system, to compile a historical series of expenditure on which to base a statistical survey.

For this reason use had to be made in the sample survey of a semi-analytical method consisting in excluding all expenditure which was completely independent of traffic and then determining the proportion of traffic-dependent expenditure. The marginal cost of use of the different categories of shipping is calculated with the aid of equivalence factors which vary according to the expenditure.

A distinction must be made between the installations required to overcome differences in level and the actual navigation channels. In the case of the former the marginal cost of a lock installation is determined and charged to the different categories of vessel according to the extent to which they are estimated to use the lock.

The marginal cost of a lock installation includes both expenditure on power and equipment required to operate the lock and labour expenditure. The former can be readily determined, but the latter requires a complex analysis in which the organizational set-up must be taken into account. Expenditure on maintenance and replacement of certain fixed parts of the installation (controls and mooring equipment) and of movable components such as sluice-gates, valves and driving gear must also be taken into account.

Calculation of the marginal cost of the use of navigation channels involves determination of the expenditure required to protect the river or canal banks against erosion. This expenditure consists in part of the cost of dredging and in part of expenditure for reinforcing the banks. Dredging expenditure is only taken into account for those waterways of which it can be assumed that the marginal cost of the different types of vessel is proportional to the rated engine power. As far as the reinforcement of banks is concerned, only unprotected or inadequately protected banks are damaged by motor vessels. The corresponding marginal cost of repairs can be calculated. In the case of natural inland waterways, shipping should also be charged for part of the expenditure required to restore river banks, the marginal cost according to the type of vessel being calculated in the same way as dredging expenditure.

Marginal cost of traffic congestion

9. The second component of the social marginal costs, i.e. the marginal cost

of traffic congestion, consists of three factors :

- the cost of time losses incurred by employees, individual travellers and public transport;
- the cost of higher fuel consumption, increased maintenance work etc.;
- the cost of the means of conveyance being at a standstill for long periods.

The first cost factor is the most important and at the same time the most difficult to assess. The second is most noticeable on roads. The third is generally of little significance, which is why it was disregarded in the calculations for the Paris-Le Havre route.

Marginal cost of railway traffic congestion

10. With the exception of the cost of the standstill of goods traffic, the marginal cost of traffic congestion consists of delay costs, shunting or retardation costs, the latter being treated as shunting costs. The inclusion of an additional train in a timetable may affect the movement of other trains, which may either be stopped en route, run slow because other trains cannot be shunted off the line or leave early or late.

Delay costs include the cost of the standstill of carriages or wagons but not the cost of driving crews and engines since neither the crew nor the engines are idle. Shunting costs on the other hand cover the standstill of carriages or wagons and engines, as well as driving crews and other train staff.

In the case of passenger trains there is the additional factor of the time loss incurred by railway passengers as a result of delay or stoppage of trains. Since the delay costs of a passenger train may be considerable, it would be impractical to incorporate a goods train in a section of the timetable in which it would delay the progress of another passenger train since the goods train could not bear the relevant cost. The only possibility is therefore to replace one passenger train by another.

Marginal cost of road congestion

11. The marginal cost of congestion on the roads consists of two factors, one being the additional cost dependent on the time for which vehicles are used and the other the additional cost resulting from the slower journey times of the vehicles. The second cost factor is only relevant in the case of commercial vehicles where slower journey times might necessitate a larger fleet of vehicles.

Methods of calculation have been devised to express these cost factors in numerical terms. They presuppose above all a knowledge of rates of flow and of the cost functions which generally depend on speed. In the case of

private cars, the most difficult problem is to allow for the cost of the time of passengers. The relevant solutions produced by the sample survey were refined in the urban studies (see page 2, first indent).

Marginal cost of traffic congestion on inland waterways

12. The marginal cost of waterway traffic congestion is calculated in much the same way as for road traffic. It involves only transit through locks, since this is the only point at which boats may hinder one another, traffic being able to move unimpeded in the reaches.

The laws governing the total time of transit through a lock according to the type of boat, the composition and volume of the traffic and the nature of the installation may be ascertained by simulating the operation of a lock. As in the case of road traffic, the costs incurred in holding boats ready are only taken into account in calculating the marginal cost of traffic congestion if the fleet does not have permanent spare capacity.

External marginal costs

13. The third component of the social marginal costs is the external marginal cost. This consists of certain negative factors connected with the use of traffic infrastructures, and can be split into three main groups : environmental pollution, traffic accidents and obstruction of the user of one form of transport by another form of transport. The cost of these obstructions, which are caused by crosspoints such as level crossings and opening bridges, is determined in the same way as the marginal cost of traffic congestion.

14. Accident costs play a major role in road traffic. The accident compensation charged to users through payment for the use of traffic infrastructures corresponds to the marginal accident costs minus the insurance costs already borne by users.

With the aid of appropriate statistics, marginal accident costs can be differentiated according to vehicle categories.

The marginal cost of environmental pollution, used to measure the increase in the negative factors resulting from the air pollution and noise caused by an additional unit of traffic, had to be disregarded in the sample survey because no suitable methods of calculation were available. In the sample survey, which related mainly to out-of-town roads, this factor was not particularly relevant, but it is of considerable importance in cities in which rapid deterioration of the environment constitutes a serious problem.

In the studies of roads in urban areas a thorough examination is being made of the environmental pollution caused by all motor traffic. In this

connection the Commission has asked the German government to undertake a comprehensive investigation to determine a method of calculating the marginal cost of environmental pollution. This investigation, which is being performed by a group of engineers, doctors and economists, covers the following aspects :

- analysis of correlations between the volume of traffic, the composition of traffic and the extent of environmental pollution resulting from noise and the emission of air-polluting substances;
- study of the psychological and physiological effects of environmental pollution on human beings,
- calculation of the cost of environmental pollution and the proportion it represents of the social marginal costs.

Opinion of the Committee on Economic and Monetary Affairs

Draftsman: Mr R. JOHNSTON

On 23 March 1973 the Committee on Economic and Monetary Affairs appointed Mr Johnston draftsman for the opinion.

At the meeting of 4 May 1973 the committee discussed the draft opinion and adopted it unanimously.

The following were present: Mr Lange, chairman; Mr Bos and Mr Rhys-Williams, vice-chairmen; Mr Johnston, rapporteur; Mr Arndt, Mr Antoniazzi, Mr Artzinger, Mr Burgbacher, Mr Cifarelli, Mr Harmegnies, Mr Krall, Mr Leonardi, Mr Mitterdorfer, Mr Normanton, Mr Ryan, Mr Starke.

Introduction

1. The problem of rates to be charged for the use of transport infrastructures, one of the key issues of the common transport policy, has already been discussed by the Community institutions.

In the agreement of 22 June 1965 on the organization of the transport market and in the resolution adopted at the session of 19 - 20 October 1966, the Council had already emphasized the fundamental importance of the problem.

On 14 December 1967 ¹ the Council, following a statement by the Commission, signified its approval of the time-table and general content of the initial measures for the introduction of a system of charges for the use of transport infrastructures.

2. Subsequently the Commission presented two proposals: one concerning the introduction of a uniform and permanent system of accounts for infrastructural costs ² and the other relating to harmonization of the structure of taxes on industrial vehicles.

3. The possibilities of achieving the objectives laid down in the decision of 14 December 1967 are extremely limited unless the problem is tackled through general measures jointly adopted.

4. This proposal for a decision which is designed to allow the introduction of a common transport policy envisages a solution ensuring utilization of transport infrastructures which is optimal from the point of view of the community, while at the same time securing sufficient income to cover the total costs of building and operating such infrastructures.

A system of charges based on marginal social cost combined with the obligation of balancing the budget is the solution now proposed as satisfying the two above mentioned conditions.

5. The solution described in (4) above has been made the basis of the common system of charges for the use of transport infrastructures, while the decision defines the general principles for the elaboration at a later date of various measures designed to carry into effect in the three forms of transport the chosen policy, the content and provisions of which are outlined in the Commission's Memorandum to the Council on the system of charges for the use of transport infrastructures within the framework of the common transport policy.

¹ OJ No. 322, 30 December 1967, p.4

² Approved by the Council on 4 June 1970, OJ No. L130 of 15 June 1970.

Conclusions

6. The committee considers that real progress in the matter of a common transport policy hinges on the introduction of a system of charges for the use of transport infrastructures based on common principles.

7. The committee is of the opinion that in theory the application of a common system of charges for the use of transport infrastructures could ensure conditions of healthy competition in the transport sector. It should, however, be borne in mind that insufficient study has as yet been made of the problems connected with the structure of charges, particularly as regards the road transport sector in which this structure is especially complicated. Indeed, in this transport sector it will be exceptionally difficult to determine some elements of the marginal social cost, such as the marginal cost of accidents and the marginal cost of inconvenience.

It is therefore essential for the committee to make a further study of this subject, having particular regard to the practical aspects, to enable precise proposals to be formulated.

8. In regard to regional policy, it would be useful to determine at a later stage the consequences of the application of a system of charges for the use of transport infrastructures. It may in fact be argued that the economic effect would be beneficial in highly industrialized areas, where, because of the high degree of utilization of transport infrastructures, certain costs are largely borne by the users with a consequent reduction in the cost of operating the infrastructures themselves.

On the other hand it could be argued that certain other costs (such as, for instance, the cost of traffic congestion) are lower in less industrialized areas and the application of a system of charges for the use of transport infrastructures could therefore encourage the development of such regions.

These considerations are particularly relevant to road transport.

9. In the field of industrial policy attention should be drawn to the importance of harmonizing a considerable part of transport costs, and hence of production costs, with a view to standardizing the competitiveness of the products of the different Member States.

10. It should be remembered that the question of charges for the use of transport infrastructures is only one of the basic elements of transport infrastructure policy, the other being the coordination of investment, from which the question of charges for the use of infrastructures should not be separated.

OPINION OF THE COMMITTEE ON FINANCE AND BUDGETS

Draftsman: Mr H. GERLACH

On 18 June 1971 the Committee on Finance and Budgets appointed Mr GERLACH draftsman for an opinion.

The Sub-Committee on Tax Harmonization discussed the proposal at its meetings of 4 July 1972 and 18 September 1972.

At its meetings of 18 July 1971, 5 October 1971 and 6 December 1972 the Committee on Finance and Budgets discussed this opinion and adopted it unanimously on 6 December 1972.

The following were present: Mr Spénale, chairman; Mr Borocco, vice-chairman; Mr Gerlach, draftsman for the opinion; Mr Artzinger, Mr Boano, Mr Fabbrini, Mr Koch, Mr Noè, Mr Notenboom, Mr Pêtre, Mr Reischl and Mr Schwörer.

INTRODUCTION

1. In the context of the common transport policy great importance is attached to the introduction of a system of charging for the use of infrastructures. Although this problem is considered as particularly urgent, it has not been conclusively discussed since studies and surveys were started up on the basis of the Council resolutions of 22 June 1964 and 13 May 1965.

2. Charging for the use of infrastructures is designed to deal with the following transport policy problem: the main competitors in the transport market are the railways, the inland waterways and road transport. The inland waterways (canals, canalized rivers and regulated rivers) and roads are administered by the State, which bears the infrastructure costs. The railways, on the other hand, bear their own infrastructure costs.

As a result, the conditions of competition are unequal. To create fair conditions, either the railways' infrastructure costs would have to be reimbursed or the inland waterways and road transport would have to be asked to pay their own costs.

The basic charges for road transport are vehicle and fuel taxes (petrol and diesel oil taxes), charges for the use of roads (Italian and French motorways, bridges, tunnels) and parking charges;

for inland waterways, fuel taxes¹, boat dues², navigation dues³.

Thus on the one hand competition between carriers in the Member States is distorted, despite the existence of the Communities, and on the other hand conditions of competition are rendered unequal by the varying systems of transport taxation.

The memorandum annexed to the Commission's proposal to the Council for a decision on the introduction of a common system of rates to be charged for the use of traffic infrastructures is intended to explain the decision in detail.

The following remarks therefore apply both to the memorandum and to the proposal for a Council decision, but are confined as far as possible to the financial and fiscal aspects.

¹ Belgium, Italy, Netherlands

² Italy

³ Belgium, Germany, France, Luxembourg

1. Aims underlying a system of payment for the use of transport infrastructures

3. A system of payment for the use of transport infrastructures has three basic objectives:

- (a) harmonization of conditions of competition between carriers both at national and at Community level;
- (b) optimum utilization of infrastructures from the point of view of the community (optimal factor input);
- (c) financing of expenditure, i.e. sufficient revenue must be generated to cover all expenditure on the construction and maintenance of infrastructures.

The need to create equal conditions of competition on the transport market arises from

- the fact, already mentioned, that the railways are handicapped because they bear the costs of their own infrastructures;
- the variation in specific transport taxes in the Member States. This handicaps in particular those undertakings or sectors whose transport costs represent a high proportion of their production costs.

The elimination of restraints on competition would require

- equal treatment of carriers in the Member States (bearing their share of infrastructure costs);
- harmonization of the specific transport taxes with which these infrastructure costs are to be met.

4. A further objective of such a system is the optimum utilization of infrastructures from the point of view of the community (optimal factor input). It is hoped that the creation of equal conditions of competition for carriers will lead to an improved layout of infrastructures through increased use of individual infrastructures.

5. The revenue obtained from a system of payment for the use of infrastructures should finance the costs incurred in their construction and operation. The aim is:

- to make the users of infrastructures more cost-conscious;
- to ascertain which infrastructures are the most economical.

II. The proposed system of payment for use of transport infrastructures
Possible ways of creating equal conditions of competition among carriers

6. There are two main possibilities for creating neutral conditions of competition:

- (a) the refund of infrastructure costs at present borne by the railways;
- (b) payment by inland waterway and road users of infrastructure costs by means of taxes or dues.

Most economists consider that the first solution would bring down the cost of transport too far and lead to excessive traffic since users would not be directly involved in payment. The second possibility on the other hand, which is generally considered to be the better one, raises the problem of fair allocation of infrastructure costs to the various users.

The Commission proposes the second solution, combining a 'system of marginal social costs' and a 'balanced budget system'.

Charging for the use of infrastructure: allocation of costs to users

- (a) the Community accounting system
- (b) the concept of 'marginal social costs'
- (c) the principle of the balanced budget

7. The Community has already introduced a uniform accounting system for infrastructure costs, in Council Regulation No. 1108/70 of 4 June 1970 concerning the establishment of an accounting system for rail, road and inland waterway infrastructures¹.

As a result of this resolution, the statistics needed to calculate infrastructure costs will be available to Member States in the next few years.

8. As regards charging for the use of infrastructures, the Commission proposes a charge based on the 'marginal social costs' method (Art. 2 (1), sub-paragraph 2 of the proposal for a decision).

The term 'marginal social costs' is crucial in the present context and therefore requires clarification.

The word 'costs' within the meaning of Article 3 of the proposal for a decision covers expenditure incurred during the period in question on:

- construction, reconstruction and renewals of installations (investment expenditure);

¹ OJ No. L 130, 15 June 1970

- maintenance and operation of such installations and administrative services (current expenditure);
- repayments and interest charges attributable to the period in question in respect of loans contracted earlier to finance investment expenditure (in the case of financing by borrowing).

The adjective 'social' indicates that all costs incurred in construction and maintenance are allowed for in the calculation, together with all external costs (environmental pollution etc.).

The word 'marginal' refers to the method of charging individual users, which should be based on the principles of marginal cost theory. Here the principle of causation is of prime importance. It will be established as far as possible which costs are attributable to each user and which costs would be avoided if the traffic concerned did not exist.

9. In certain circumstances, when all the charges calculated in this way are added up they do not cover the total cost of construction and maintenance for the period in question. In this case, which could become the rule, the Commission proposes the principle of the balanced budget (or the covering of costs) whereby certain 'equalizing charges' are paid by users in addition to the normal charges.

10. In other words, with the marginal social costs method the minimum share borne by the various users is established, whereas the principle of the balanced budget and covering of costs gives the actual amount of the charges imposed.

III. Charging for the use of transport infrastructures by means of specific taxes

11. According to the Commission, users of infrastructures should not be liable for any taxes or dues which they already pay in the same way as other taxpayers, for example income tax and value-added tax. In respect of infrastructure costs, only 'specific' transport taxes should be levied, in particular vehicle tax, fuel tax and navigation dues.

Taxation of individual modes of transport

- (a) Road transport
- (b) Inland waterways
- (c) Railways

ad (a) - Road transport taxes

The Commission proposes (Art. 6(1)) that infrastructure costs be collected from road users by means of the following taxes and dues:

- Vehicle taxes

The vehicle tax is invariable whatever the actual capacity or road utilization of the vehicle concerned.

- Fuel taxes

12. These vary to a large extent in accordance with actual road utilization. The Commission has not yet ventured to harmonize fuel taxes, since they are closely related to the common energy policy. It is, however, absolutely essential to harmonize fuel taxes from the transport point of view. Fuel taxes represent a basic cost component in transport, and also cause considerable difficulties in international transport, for example the annoying and time-wasting border checks.

- 'Direct payment measures'

13. These include tolls, motorway charges and bridge tolls. It should be remembered that in certain countries special charges are imposed for expensive infrastructures, for example a number of bridges and in particular motorways.

ad (b) - Navigation dues

- Boat dues

14. The Commission proposes that boat dues should no longer be charged in inland waterways.

- Fuel taxes

15. It also proposes that fuel taxes should no longer be paid on inland waterways.

- Navigation dues

16. Navigation dues for the use of waterways are the only charge made to cover infrastructure costs in respect of navigation.

ad (c) - Railways

17. A few comments should also be made on the railways, although in principle they are responsible for their own infrastructure costs. In discussion of infrastructure costs the argument has always been advanced that in view of their enormous deficit the railways could not claim that they paid their own costs. When the system of charging for the use of waterways and roads has been fully introduced, a new situation will arise in discussing the elimination of this deficit.

The table below compares state subsidies to the railways in the Member States with their infrastructure costs:

<u>Subsidies to railways 1965¹</u>		<u>Infrastructure costs 1966</u>
	<u>in M u.a.</u>	<u>in M u.a.</u>
Germany	531.3	708.357
France	576.7	607.191
Italy	240.6	328.627
Netherlands	-	62.196
Belgium	35.2	101.273
Luxembourg ²		10.017

It can be seen from this table that in all the Member States subsidies are lower than infrastructure costs.

IV. Assessment of the system of charging for the use of infrastructures from a fiscal and budgetary standpoint

A. Payment on the equivalence principle

18. The principle of allocating revenue from specific transport taxes and dues exclusively to road construction and maintenance is not applied in any of the Member States. Most tax revenue is based on the 'ability to pay principle', which links taxes to income, assets, profits, social factors etc. With the intention of introducing a system of charging for the use of infrastructures, a system of taxation through specific transport taxes based on the equivalence principle is being established. The construction and maintenance of infrastructures are thus considered as special government benefits which not all citizens enjoy to the same extent, and are therefore not financed from the general fiscal resources but allocated direct to those who benefit from them on the basis of the causation principle (for example, charges for the issue of documents).

19. To ensure that the dues payable by individual citizens correspond to the benefits they receive from the State, the equivalence principle is therefore used as a yardstick. This follows to some extent the market price formation procedure - not only are the dues for the individual benefits determined on the basis of the costs (additional profit is not justifiable) but also an effort is made to gear the scope and pattern of the State's services - in this case the development of the infrastructure - to the preferences of demand.³ H. Haller points out, in 'Die Steuern' (Tübingen, 1964) that 'If the public knows that it has to pay for the special services it desires, it will be more hesitant about asking the government for

¹ Source: Input-output tables (1965) of the Statistical Office of the European Communities

² No figures available

³ H. Haller, 'Die Steuern', Tübingen, 1964

such services to be provided, than it would be if the government subsidized these special services wholly or partly from general tax revenue.' ¹

20. This can therefore be regarded as a beneficial effect of the equivalence principle. It is, however, essential, if this principle is to be applied and implemented, not only to be able to establish the costs of the required services with sufficient accuracy but also to be able to attribute them either to individuals or to groups.

21. There is no doubt that the proposed marginal social costs system - a phrase in which the term 'social' is more confusing than enlightening - will provide indicators for the attribution of costs to the users of infrastructures, making it possible to establish to what extent proportionately each individual has benefited from the services. It seems certain, however, that in spite of the progress made (accounting system for infrastructure costs) even with the marginal costs system, it is only possible to establish a schematic cost equivalence. Thus, while there are fewer obstacles to the overall assessment of infrastructure costs, the correlation of costs to users is a more difficult problem. Even if these indicators represent usable criteria, there can be no question of taking the marginal social costs concept as a basis for an exact attribution of infrastructure costs. Thus the amount of vehicle tax depends on the extent to which the vehicle concerned is effectively used.

22. In the opinion of the vast majority of financial experts, however, if there is a possibility of establishing the individual costs and the amount is not excessive, charges (taxes) based on the actual costs should be imposed. ²

B. Expenditure involved in operating the system

23. The Commission points out, in its memorandum, that if the system of charging is to operate satisfactorily, independent operating units will have to be set up and given all the necessary powers to enable them to work in accordance with the aims and principles of this system. The fundamental question is whether the expenditure involved will be excessive, since collection of the specific transport taxes - with the exception of vehicle tax - has always been a relatively cheap operation. In view of the complexity of the proposed system there is a danger that the bureaucratic costs involved could be excessive.

The Commission does not give any precise details in its memorandum, either on the initial costs of the system or any costs for which Member States might be liable at a later stage. It considers that the expenditure would be limited, since existing administrative units could be incorporated into the new operating units.

¹ See Haller, op. cit., p.21

² See Haller, op. cit., p.25

24. Under the proposed system of charging, users of infrastructures will first be charged for the direct costs and will then pay a supplement for the common costs. As Haller points out¹, what is practicable in business accounting, despite the difficulty of charging costs to the appropriate cost centres, the formulas used and the bases for supplementary charges, would be quite absurd in the context of such a large-scale State operation for the attribution of costs. If the system involved excessive expenditure, this could be a serious obstacle to its implementation.

C. Problems connected with existing differences between specific transport taxes in the Member States

25. The basic differences in the present organization of specific transport taxes in the Member States can be summarized as follows:

- the ratio of revenue from transport taxes to total tax revenue varies from one Member State to another;
- there are different types of taxes;
- structure and rates of the individual taxes vary;
- social factors are assessed differently, e.g. taxation on car ownership by individuals.

The Commission states in its memorandum that the proportion of vehicle and fuel tax revenue to total tax revenue in the Member States in 1966 was as follows:

Belgium	6.9%
Germany	14.8%
France	9.9%
Italy	14.2%
Luxembourg	3.1%
Netherlands	12.5%

- Fiscal requirements

26. The importance of these taxes for national budgets in the Member States, ranging from 3.1% (Luxembourg) to 14.8% (Germany) is a major problem, and revenue from taxation on inland waterways also has to be taken into account.

- Incentives to tax harmonization in the Community

27. The Commission points out that the introduction of the system of charging for the use of infrastructures should provide an important incentive to tax harmonization in the Community. Your committee must reiterate that even the

¹ Op. cit., p. 30

approaches to tax harmonization presented here are incomplete and do not fit into an overall concept. Tax harmonization measures (company tax, tobacco tax etc.) in the individual countries sometimes lead to shortfalls in revenue and sometimes to increased revenue. This is also the case in implementing the proposed new system. It must be deplored that the Commission has not submitted any quantitative and alternative information forming part of an overall concept of tax harmonization.

28. Even though the proposed objectives concerning the common transport policy are important, transport policy cannot be given priority, at least not so long as the effects of the measures on fiscal and budgetary policy cannot be expressed reasonably accurately in figures - even if in alternatives - and above all if the fact that revenue from transport taxes can also be used to finance other State services is taken into account.

- Under- and over-covering of infrastructure costs

29. It is a good idea to compare the above revenue percentages with the expenditure percentages of the national budgets of Member States in respect of infrastructure costs, to ascertain to what extent infrastructure costs are being covered¹. It must be noted that because of fluctuations from year to year only comparisons made over several years are valid. The Commission, however, bases its conclusions on only one year's figures.

30. A comparison of the information in the annex to the memorandum shows that while in Germany infrastructure costs are not covered (although the vehicle and fuel tax revenue in proportion to total tax revenue is the highest in Germany at 14.8%) in France (9.9%) they are over-covered. What is the reason for this: can it be accounted for by the different revenue structures in the budgets? Fuel taxes represent the largest proportion: 57.5% in Luxembourg, 89.1% in France (maximum and minimum values). The general structure of vehicle taxation, whether for commercial vehicles or private cars, is at present largely independent of the charges for the use of infrastructures. France is a partial exception, since commercial vehicles above a certain weight (an arbitrary arrangement) are taxed according to their cost to the community.

31. Fuel taxes account for the bulk of tax revenue. They are fixed largely on the basis of budgetary policy and have no connection with the charges for the use of infrastructures. Energy policy is also a deciding factor (mineral oil tax). The variations in Member States are reflected in different tax rates (1970: Netherlands, tax on 1 metric ton diesel oil 14.6 u.a.; Germany, 106.13 u.a.; for premium grade fuel, 128 u.a. per metric ton in

¹ Revenue from transport taxes is higher or lower than infrastructure costs.

Germany, 212.72 u.a. in Italy). The extreme variations in the case of diesel oil are thus relative; in Germany the tax is 7 times as much as in the Netherlands. For premium grade fuel the ratio for the maximum variation (Italy and Germany) is 1.7%.

As regards the differences between taxes on diesel oil and premium grade fuel, the extreme values are 0.12 for the Netherlands and 0.92 for Germany (ratio of diesel oil tax to premium grade fuel tax). Differences in the tax structure produce further variations. Industrial fuel users are exempted from VAT in Germany, Luxembourg and the Netherlands, but not in France.

- Direct charging for the use of infrastructures

32. This system is used only on the Italian motorways and certain motorway links in France, and for certain large structures (the Tancarville Bridge, the Mont Blanc tunnel). In built-up areas 'direct' payment is made through parking charges.

- Differences between vehicle and fuel taxes

33. The vehicle tax is a fixed charge independent of mileage. The fuel tax is a function of the mileage. However, fuel consumption and related taxes are largely dependent on total weight, so that the curve of vehicle taxes differs from that of fuel taxes. The proportion of vehicle taxes as a 'fixed cost component' naturally varies with the extent to which a vehicle is used.

34. The following basic problem emerges from the above remarks: Three States only partly cover their infrastructure expenditure relating to road utilization (Germany 84.7%, Luxembourg 46.9%, Netherlands 85.6%). In Belgium revenue and expenditure are more or less equal (revenue is 104% of expenditure). In France and Italy revenue is more than sufficient to cover expenditure (179.3% and 183.1% respectively) (All 1966 figures, see Table 17 of Memorandum).

In other words, in France and Italy this revenue can also be used to finance other State services, while in the other Member States the remaining revenue for covering expenditure related to road utilization is obtained from general tax resources.

It will be difficult to find a common denominator here on the basis of budgetary requirements. The aims arising from the proposed system are sometimes conflicting.

D. Conflicting aims arising from the proposed system

35. Article 6 (2) of the Commission's proposal for a decision states that if the budget makes it necessary, it should be possible to impose an

additional tax apart from charging for the use of infrastructures. No doubt transport taxes are a productive source of revenue. However, if this revenue is allowed to exceed requirements, there is a conflict of aims if this over-coverage varies within the context of the differing budgetary needs of the Member States that have grown up over the years. This would do nothing to rectify unequal conditions of competition, and would thus cast doubt on one of the fundamental aims of the proposed system. As long as charges vary between Member States, competition is distorted. Even for taxation on private cars the opportunity of harmonization should not be missed; this tax should not be imposed as a stop-gap for shortfalls in revenue, as the Commission suggests in its answers to questions.

In view of the importance of these taxes, this conflict between fiscal and transport policy requirements must not be underestimated. The intended 10-year period for the introduction of the system therefore seems appropriate.

36. In the case of the inland waterways the disparity is even more marked, as at the moment infrastructure costs are paid by users on average at the following percentage rates:

Percentage of revenue to total expenditure on waterways utilization
(infrastructure expenditure) in 1966

Belgium	6.1%
Germany	10.8%
France	7.3%
Italy	14.4%
Luxembourg	8.9%
Netherlands	2.7%

If one adopts the principle that users should bear their infrastructure costs in full, this means in the case of the waterways that, for example, taxes in the Netherlands will be forty times as high, in Germany ten times as high and in Belgium about fifteen times as high. This comparison clearly shows the implications of the demand for equal conditions of competition between carriers; it also brings out aspects which make the idea of unlimited competition slightly questionable.

37. The planned 15-year time-horizon for the introduction of the system of charging for the use of infrastructures in inland navigation therefore seem appropriate. The waterways have many uses; some may be regarded more as water-levelling systems than as cross-links for navigation. The memorandum has discussed uses unrelated to transport policy, such as water supplies and the generation of energy. It appears very difficult however to determine the value of the inland waterways for the water supply system accurately enough for non-transport uses to be excluded from the infrastructure charges.

38. If the amount received in taxes for road utilization, namely fuel taxes, vehicle taxes and direct payments (motorway charges, parking fees), are not sufficient, they should be supplemented by a special transport tax, enabling certain goods to bypass the roads, namely goods which could be environmentally harmful and require special safety precautions when transported, such as highly explosive substances, specific types of refuse and industrial waste and certain military goods. This applies, of course, only to long hauls.

39. The Commission mentions the problem of environmental pollution several times in its memorandum. On marginal costs and environmental pollution it says on page 36: 'Obviously there can be no question of taking this factor into account - in whatever form - in the system of charging for the use of infrastructures, until a universally accepted method has been found of calculating the marginal costs of environmental pollution.'

This should not, however, be a pretext for failing to take immediate action on the question of environmental pollution, if opportunities occur.

These remarks show that the idea of equal conditions of competition is not enough on its own to solve the problem of the common transport policy. It must be appreciated that if taxation on inland navigation is ten times higher it will counteract the competitive disadvantage of the railways over a long period. If however the present waterways installations and infrastructures are included in the profitability calculations, it would be economically wasteful of productive assets if it proved that this additional charge could affect the existence of inland navigation.

40. It is important to note that Belgium and the Netherlands, which have extensive waterways networks, cover their infrastructure costs by imposing taxes of 2.7 and 6.1% respectively.

- Problems arising from regional variations

41. The cost of building and maintaining roads can vary from country to country. Consequently, if the infrastructure costs are to be paid in full by the users in each Member State by means of specific transport taxes, this taxation would have to vary in scale. Thus, while equal conditions of competition between carriers are to be created in each Member State through the system of charges for the use of infrastructure, unequal conditions could be created by existing and expected tax differences. This is accentuated by the intention to vary the system of charging for the use of infrastructures from region to region, which could militate against the uniformity of taxation.

42. So long as there is no competition between Member States, for example in roadbuilding - and none is to be expected in the long term (the efforts to harmonize awards of public works contracts in all Member States will make

little difference to this) - infrastructure costs in the Member States will not be equalized. If, however, they are to be paid in full, this will inevitably lead to a difference in taxation, resulting in distortions of competition.

This is further proof of the complexity of the system.

43. As regards railways, their competitive disadvantage, in so far as it is the result of infrastructure costs, will be rectified by the proposed system. It could be asked, however, whether it is not the State's responsibility, on other grounds, to accord the railways certain competitive advantages, in view of their undoubted social benefits, and also to take into account the fact that the railways are much safer than roads (road deaths are difficult to include in profitability calculations). In addition, they are less harmful to the environment.

But so long as environmental pollution is not reflected in the system of charging for the use of infrastructures, the advantages of the railways are not appreciated, while the object of the system is for all factors to be taken into account when the costs are calculated.

As users scarcely consider the extent of their marginal utility, they will not be convinced that they are not bearing the costs.

V. Conclusions

44. Your committee would have preferred the Commission to submit its proposal for a Council decision at a later date, in order to

- (a) await the results of the important research mentioned in the memorandum;
- (b) await the accession of the new Member States, since charging for the use of infrastructures is a crucial problem in transport policy;
- (c) explain the implications of harmonizing the specific transport taxes in an overall tax harmonization plan, as more consideration must be given to budgetary requirements;
- (d) initiate further and more detailed research into ways of implementing the system without incurring excessive bureaucratic expenditure;
- (e) investigate the possibility of finding a partial solution to the implementation of the system without resorting to the 'perfectionist', not to say dirigist, overall concept implicit in the memorandum;
- (f) seeks ways to avoid a situation in which transport costs are higher in some Member States, owing to differences in, for example, roadbuilding costs (and the consequent higher charges for the use of infrastructures)

so that

- final prices for comparable products with a high transport cost component in the Member States are affected by differences in taxation;
- the system gives rise to distortions of competition in the Community.

45. Your committee recognizes, however, the urgency and importance of the objectives of a common transport policy as set out in the memorandum.

The Commission's extensive preparatory work in this field also deserves acknowledgement.

46. Your committee therefore recommends

- subject to reservations on the timing of the Council's decision;
- in the hope that consideration will be given to the suggested amendments to particular articles annexed to this opinion,

that the proposal for a Council decision should be approved.

VI. Amendments proposed by the Committee on
Finance and Budgets

TEXT PROPOSED BY THE COMMISSION
OF THE EUROPEAN COMMUNITIES

AMENDED TEXT

Article 1 unchanged

Article 2

1. The aim of such a system of charging shall be to promote optimum utilization of infrastructure, while generating sufficient revenue to cover all expenditure relating to such infrastructure attributable to its transport function.

To this end, the charges applicable to the various categories of traffic must be so fixed as to be equal to the marginal social cost of the use of infrastructure by those categories. Should the revenue produced by such charges be less than the corresponding expenditure, there shall be added to the marginal social cost an equalizing charge, the amount of which shall be such as to ensure that the said expenditure is covered.

2. The Council, acting by a qualified majority on a proposal from the Commission, shall lay down rules for calculating marginal social costs and equalizing charges.

Article 2

1. The aim of such a system of charging shall be to promote optimum utilization of infrastructure, by creating equal conditions of competition between competitors on the transport market, while generating sufficient revenue to cover all expenditure relating to such infrastructure attributable to its transport function.

Unchanged

2. After consulting Parliament and the Economic and Social Committee, the Council acting by a qualified majority, on a proposal from the Commission shall lay down rules for calculating marginal social costs and equalizing charges.

Article 3 unchanged

Article 4

The scale of charges for the use of infrastructure shall differentiate to the maximum extent possible between categories of traffic having different marginal social costs. Within each category of traffic separate charges shall be applied wherever this is justified by variations according to time and locality in the use of infrastructure and is possible, having regard to the cost of collection, with the means available.

Article 4

The scale of charges for the use of infrastructures shall differentiate to the maximum extent possible between categories of traffic having different marginal social costs. Within each category of traffic separate charges shall be applied wherever this seems justified having regard to the costs of collection and the general expenditure incurred.

Article 5 unchanged

Article 6 unchanged

Article 7

1. The system of charging for the use of infrastructure shall be established by stages. Subject to any extensions authorized by the Council under Paragraph 3 hereof, establishment of the system shall be completed by not later than 31 December 1981 in respect of roads and by 31 December 1986 in respect of waterways.

The timetable of the stages and the measures to be taken during each of these shall be laid down by the Council on a proposal from the Commission.

2. If during the period of establishment of the charging system the application of measures prescribed for any stage gives rise to serious economic or social difficulties in any sector of the economy, the Commission may, at the request of a Member State and after consulting the other Member States, authorize, for a limited

Article 7

1. The system of charging for the use of infrastructure shall be established by stages. Subject to any extensions authorized by the Council under Paragraph 3 hereof, establishment of the system shall be completed at the latest ten years after the entry into force of this decision in respect of roads and at the latest fifteen years after that date in respect of waterways.

Unchanged.

2. If during the period of establishment of the charging system the application of measures prescribed for any stage gives rise to serious economic or social difficulties in any sector of the economy, the Commission may, at the request of a Member State and after consulting the other Member States, authorize, for a limited

period, derogations from those measures. period, derogations from those measures.
Disturbances caused by such derogations ures.
to the establishment of the system must
be kept to a minimum and the derogations
must not go beyond what is strictly
essential to remedy the difficulties
found to have arisen.

Paragraph 3 unchanged

4. Where, during the period of establishment of the charging system, infrastructure costs in respect of transport by road and inland waterway are not borne in full by the users of those modes, appropriate compensating grants, calculated in accordance with common rules to be laid down by the Council on a proposal from the Commission, shall be paid to railway undertakings.

4. Where, during the period of establishment of the charging system, infrastructure costs in respect of transport by road and inland waterway are not borne in full by the users of those modes, appropriate compensating grants, calculated in accordance with common rules to be laid down by the Council on a proposal from the Commission, shall be paid to railway undertakings. State subsidies paid in Member States shall, however, be offset against these compensating grants.

Article 8 unchanged

Opinion of the Committee on Energy, Research and Atomic Problems

Draftsman of the opinion: Mr H. SCHWÖRER

The Committee on Energy, Research and Atomic Problems appointed Mr SCHWÖRER draftsman for an opinion on 7 October 1971.

The draft opinion was discussed and unanimously adopted by the committee at its meeting of 25 October 1971.

The following were present: Mr SPRINGORUM, Chairman; Mr SCHWÖRER, draftsman of the opinion; Mr ADAMS, Mr BIAGGI, Mr BURGBACHER, Mr FLÄMIG, Mr GLESENER, Mr HOUGARDY, Mr OELE and Mr SCARASCIA MUGNOZZA.

I. Introduction

1. As part of the move towards a common transport policy, the Commission hereby submits a tentative proposal for a system of charges for the use of infrastructures. The system does not apply to air and sea transport.

Energy is consumed by every carrier in transporting persons and goods. The Committee on Energy, Research and Atomic Problems will therefore attempt to explain how the proposed system affects the consumption of energy, the conditions of competition between the different sources of energy, and the implications for energy production and consumption.

2. The committee will start from the premise that as a result of recent market developments the days of cheap energy are over and are not likely to return in the foreseeable future. The committee points out that 60% of the Community's energy requirements have to be imported from countries which are politically unstable. It will therefore have to consider whether the measures proposed by the Commission conform to the principles laid down in its 'Initial Guidelines for a common energy policy' (Doc.197/68) on which the committee expressed its opinion in Mr Leemans' report (Doc.191/69).

3. Finally the committee must consider whether the practical steps the Commission intends to take concerning the taxation of certain sources of energy in order to finance infrastructure costs are in accordance with those it has already proposed, on which the committee stated its views in the de Broglie report (Doc.43/71) with the opinion drawn up by Mr Van Amelsvoort on behalf of the Committee on Finance and Budgets on the proposal for a Council directive harmonizing the specific consumer taxes on certain liquid hydrocarbons for use as fuel (Doc.244/70). Parliament's comments must also, of course, be taken into consideration.

II. The common system of charges for the use of infrastructures viewed against the requirements set out in the initial guidelines for a common energy policy

4. In the 'Initial guidelines' the Commission emphasized the role of energy policy in serving the interests of the consumer. In the opinion of the Commission and the committee, this role justifies the demand that competition should act as a regulator in the energy market. In the present proposals on infrastructure costs it advocates the same point of view and considers that all sources of energy should be treated impartially.

5. As indicated in paragraph 19 of the 'Initial guidelines', motor transport accounts for about 80% of energy consumption in the transport sector. Since 1960 fuel consumption has shown an annual increase of about 11%, and re-

presents over 20% of the consumption of petroleum products.

In the case of the railways, the direct use of coal has virtually ceased and by 1980 it will be a thing of the past in the Community. Coal has been replaced by electricity, which in part represents an indirect use of coal, and by petroleum products.

In inland navigation, diesel fuel is used almost exclusively.

6. In the long term, therefore, the direct consumption of oil derivatives and electricity will be the sole important factor; at present only railways, trams and trolley-buses use electricity.

While oil supplies are sufficient to cover rapidly expanding demand at the present time, they are subject to political uncertainty.

7. Additional taxation on particular fuels could cause a switch to other forms of transport, for example the railways. It is also possible, however, that other hitherto unknown forms of transport may be developed.

The Committee on Energy, Research and Atomic Problems is in agreement with any form of transport which favours reliable sources of energy. As this is not yet the case with road transport, the Community should promote research in this field. Commissioner Spinelli's call, endorsed by the committee, for coordinated research by the Member States (and other European countries) should meet this particular requirement.

The degree of air pollution caused by the use of petroleum derivatives in transport should also be taken into account. The Commission's proposals on the protection of the environment, and also on Community research, should attempt to answer this question.

III. The problem of fuel taxation from the point of view of energy policy

8. In paragraph 18 of the 'Initial guidelines' the Commission holds out the prospect of 'harmonization of fuel taxation in the light of the common energy policy',¹ and of a general harmonization of the specific taxes on petroleum products, and states in a footnote that proposals will shortly be submitted on this specific point.

9. Article 6(1) of the Commission proposal provides that the system of charging for the use of road infrastructures shall apply to fuel taxes as well as vehicle taxes and direct charges. Paragraph 2 points out that this objective does not preclude additional taxation on motor fuel, particularly if this is necessitated by fiscal policy.

¹ German version; transport policy in the other three languages

The 'more general harmonization of specific taxes on petroleum products' is not discussed at all in the comments on Article 6 preceding the proposed text, nor does this emerge from the text of the Article itself.

10. Even if we do not accept that the proposed infrastructure costs should prejudice this 'general harmonization of specific taxes on petroleum products' promised by the Commission, the underlying concept, once agreed, will probably point the way to future Commission and Council thinking in the matter.

11. Even in the attached 'Memorandum' the implications of the proposed measures for energy policy are discussed only at one point, in paragraph 4.3.3.6.1. on page 39. This recommends that the relationship between petrol tax and diesel oil tax should be so determined that the choice between vehicles which use one or the other type of fuel and incur the same infrastructure costs is not affected by taxation. The tax must therefore be neutral in its effect on competition; this is desirable from the point of view of the Community's economic policy and also in a more general sense. However, since increased taxation on diesel oil is provided for, and such an increase will most probably alter the relationship between diesel oil and petrol taxes (according to the Commission), the sale of petrol will increase, while diesel oil sales will drop. The Commission claims that such a measure will have beneficial effects from various points of view, but goes on to discuss the transport policy, but not the energy policy implications.

12. It has already been indicated in paragraph 115 of the Leemans report on the common energy policy that consumer taxes, because of their diverse effects on the demand for certain products, can lead to imbalance between production patterns in oil-refining and the pattern of consumption on the home market (in this case the Community can be regarded as the home market). The export of surpluses thus produced can regulate such fiscal effects on the energy sector, transport costs permitting.

13. It would therefore be advisable when proposing practical measures to give careful consideration to the possible imbalance in the production pattern and to allow for - and avoid wherever possible - their socially and economically harmful effects. In any case they should not be allowed to jeopardize the assured supply of any given petroleum product.

14. In so far as the system of charging might result in changed patterns of energy consumption, the Commission should consider the effects in all other areas. This does not seem to have been given sufficient attention in the proposal. The committee has already indicated the distortions to which it could lead, in Mr de Broglie's report on the harmonization of taxes on fuel oil.

15. At its sitting of 19 May 1971 the European Parliament passed a resolution on the Commission's proposal for the harmonization of taxes on domestic

fuel oil. In paragraph 4, Parliament pointed out that the Commission's proposals were only partial, and were not integrated into an overall plan for the harmonization of taxes on the various sources of energy.¹

16. The committee considers that the same criticism could be applied to the general proposals on fuel taxation.

It would be interesting to know whether there has been sufficient co-ordination of transport policy and energy policy in the departments of the Commission. In the light of these observations the committee urges the Commission to submit the long-promised overall plan for the harmonization of taxes on energy sources. This would make it much easier for the committee to approve the proposals. As matters stand, it must agree reluctantly to another partial measure without knowing how it will fit into the overall energy policy.

IV. Conclusions

17. In the light of the above considerations, the Committee on Energy, Research and Atomic Problems requests the Committee on Regional Policy and Transport, as the committee responsible, to incorporate the following amendments in its report:

- a) The Community should promote research into the development of means of transport which use reliable forms of energy;
- b) The Community should support the Member States in the implementation of these objectives, also calling in third countries for the purpose, and coordinate research in this field by Member States and third countries;
- c) The same applies to the use of environmentally harmful forms of energy in transport;
- d) Should the relationship between the consumption of one petroleum derivative and another alter as a result of fiscal measures, immediate allowance should be made for changes in production and sales patterns and their full implications;
- e) The proposed harmonization of fuel taxation, like the previous proposals for harmonizing taxes on domestic fuel oil, is only another single measure in the field of energy policy. The Commission is urged to submit the promised overall plan for taxation on energy sources as soon as possible.

¹ OJ No.C 55/1971, p.14

