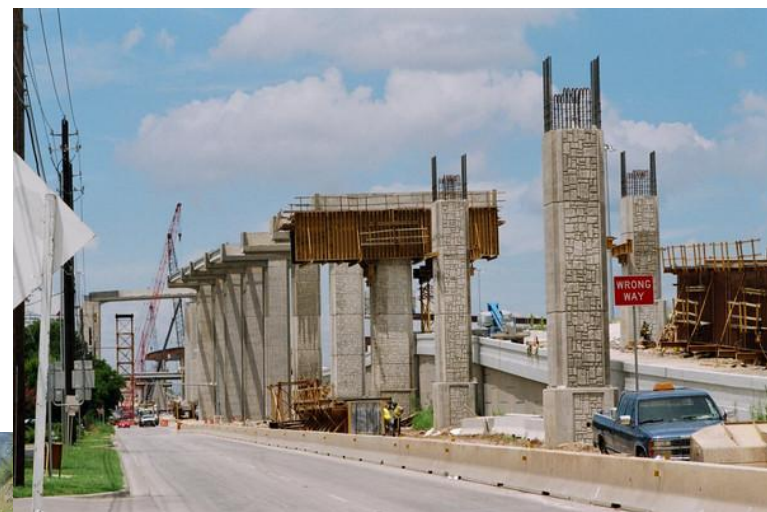


# ROAD FINANCING: CASE STUDIES

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# HOW TO FINANCE OUR ROADS ?



# THE ROAD : AN ASSET (1)

- Backbone of the economy
- Social equity
- Socio-economic wealth for citizens
- Mobility of goods and persons

# THE ROAD : AN ASSET (2)

## SOME FIGURES:

- EU-27 road network = 5.5 million km
- Goods transport inland = 72.5 %
- Passenger transport inland = 83.2 %
- Contribution to the EU economy:
  - 14 million people
  - 11% of the GDP

# THE ROAD INFRASTRUCTURE

- **5.5 MILLION KM**
- **Great disparity within EU (EU 15 / EU 27)**
  - **Mature road network**
  - **Inadapted road network**
  - **Insufficient road network**

# THE ROAD INFRASTRUCTURE

- **Systematic approach for:**
  - **Building**
  - **Replacing**
  - **Upgrading**
  - **Operating**
  - **Maintaining**
- **Decent allocation of funds**

# THE ROAD INFRASTRUCTURE

- **Lack of management has impact on:**
  - **Safety**
  - **Economy**
  - **Environment**

# FINANCING METHODS

## Traditional:

- Public Expenditure (taxes !)
- Concessions (tolls – shadow tolls - PPPs)
- User Charging (pay-per-use principle)
- Vignettes (Eurovignette, other vignettes)





# ROAD FINANCING: CASE STUDIES

# PUBLIC EXPENDITURE

- Huge public expenditures in the past for road infrastructure (Western countries: good network)

**BUT**

- High level of taxes (registration, insurance, circulation, fuel...)
- Current economic restraints and uncertainty
- Budget restrictions and orthodoxy
- Systematic lack of investment for preserving and maintaining the existing infrastructure since years

# DIFFERENT SITUATIONS

- **Situation differs from country to country**
  - **With or without toll motorways / highways**
  
- **Where toll roads**
  - **Generally highest level of safety**
  - **Highest service to the user**
  - **Principle: pay per use – service in return**

# EUROVIGNETTE

## The so-called 'Eurovignette' Directive

- **Long and complex process**
  - **Directive 1999/62/EC**
  - **Directive 2006/38/EC**
  - **Directive 2011/76/EU (2 years for transposition in MS legislation)**

# EUROVIGNETTE

## The so-called 'Eurovignette' Directive

### •Some 'principles'

- Fairer charging system for use of road infrastructure (incl. Construction, operation, maintenance and development
- for HGVs
- Polluter pays principle
- Optimisation of the use of existing roads
- Reduction of negative impact
- Need to avoid double taxation or additional burden to users

# EUROVIGNETTE

## Final Results (1)

- Principle of 'polluter-payer' (for HGVs > 3.5 T)
- Noise + pollution added to the use of infrastructure
- Congestion not included as externality but aims at its reduction
- For such, possibility to apply 'external cost charge' on HGVs
- Possibility of modulation to take congestion into account
  - max. variation rate of 175%
  - only in peak periods
  - limited to 5 hrs/day
- Level vary according to
  - Emission
  - Distance
  - Location
  - Time of use

# EUROVIGNETTE

## Final Results (2)

- Level vary according to emission, distance, location and time of use
- Can be extended to cover all motorways (not only TERN)
- Exemptions ofr lowest emission vehicles (4 years)
- Exemption possible for veh.< 12 T (under conditions – MS must inform the EC about reasons)
- possible mark-up in mountainous areas
- **EARMARKING!!!** (no obligation and limited)

# EUROVIGNETTE

## Comments

- **Fails to do what it is supposed to do:**
  - remove externalities (noise/pollution)
  - no return to technologies reducing them
- **Pure compromise**
- **Too many differences**
- **Finally an extra tax on road transport (commercial)**
  - No obligation of earmarking (only very limited)
  - For transport in general (not to road infrastructure)
  - No improvement of the infrastructure (or very limited)



# BELGIAN EXAMPLE (1)

- **3 Regions**
- **3 Minister Presidents**
- **Position of Belgium:**
  - Heart of Europe
  - Important traffic (requiring compensation)
  - Existing system (Eurovignette) does not generate enough revenues – not related to use, only for a period of use

## BELGIAN EXAMPLE (2)

### **Some decisions in 2011 (as from 2013):**

- **No more Eurovignette**
- **HGVs charges according to distance, emission and number of axles**
- **GPS or GPS/GSM based system (similar to DE)**
- **for HGVs > 12 T (in a first stage)**
- **on primary road network (defined by each region)**

## BELGIAN EXAMPLE (3)

- Introduction for cars, too (end 2012?)
- residents: year vignette for use of all network
- for foreigners: per duration
- price may vary from region to region
- possible conflict regarding Brussels (small but intensive traffic)
- distribution of money levied?
- possible tricky compensations from regions for their own 'citizens'

# RUC: CONCLUSIONS

- RUC NEEDS TO BE FAIR
- RUC NEEDS TO RECOGNISE SOCIO-ECONOMIC IMPORTANCE OF THE ROAD
- RUC MUST NOT BE AN ADDITIONAL TAX ON A HEAVILY BURDENED SECTOR
- RUC MUST BE ACCOMPANIED BY A CANCELLATION OF EXISTING TAXES (FUEL? CIRCULATION...)
- REVENUES MUST BE EARMARKED
- IF YOU PAY, YOU ARE ENTITLED TO GET A CORRECT SERVICE IN RETURN

# SPANISH EXAMPLE

## AEC PROPOSAL OF « BONO DE MOVILIDAD »

- Important development in the 80's and 90's (EU funds)
- Lack of proper maintenance of road infrastructure for years
- Financing proposal
- For the whole road infrastructure
- To recover accumulated deficits
- To improve quality of service to the user
- To improve mobility

# BONO DE MOVILIDAD (1)

- **What it is not:**
  - An additional tax
  - A Eurovignette
  - The ultimate solution
- **What it is:**
  - An innovative proposal
  - A consistent option
  - An integrative model

# BONO DE MOVILIDAD (2)

## AEC's Proposal (summary) (1)

- **Linked to the over-use of the network beyond determined medium standard**
- **Free circulation allowance for all vehicles on the whole road network (except motorways)**
- **Until a certain mileage**
  - **15.000 km/year for vehicles < 3,5 T**
  - **100.000 km/year for vehicles > 3,5 T**

# BONO DE MOVILIDAD (3)

## AEC's Proposal (summary) (2)

- **Via OBU linked to a bank account**
- **Fee over min. mileage: between 0,075 € and 0.12 €**
- **Variable criteria:**
  - **Time (peak hour, night...)**
  - **Cost**
  - **Service level**
  - **Road Types**



# BONO DE MOVILIDAD (4)

## AEC's Proposal: Objectives

- **Cancel deficits in road infrastructure budget**
- **Investment for all network, with social and territorial criteria**
- **Improve information and service to road user**
- **Improve traffic flow and mobility**
- **Improve infrastructure and equipment**

# BONO DE MOVILIDAD (5)

## AEC's Proposal: Considerations

- **Social acceptance requires service in return**
- **Necessary global application to avoid shifting effect**
- **Road programme budgets must include minimum required standards**
- **Surplus to eliminate deficits and improve infrastructure**
- **Management Agency is required**

# BONO DE MOVILIDAD (6)

## AEC's Proposal: Financial Estimation

- **GLOBAL REVENUE: 20 Billion € / year**
- **MANAGEMENT COST (Agency): 1 Billion € / year (5%)**
- **OBU COST: approx. 50 € / unit**

# BONO DE MOVILIDAD (7)

## AEC's Proposal: User Cost Estimation

- **Example 1: Passenger car – 20.000 km/year**
  - 5.000 km extra
  - 375 € / year approx.
  
- **Example 2: HGV – 150.000 km/year**
  - 50.000 km extra
  - 3750 € / year approx.

# BONO DE MOVILIDAD (8)

## AEC's PROPOSAL

- **Private initiative**
- **Innovative approach**
- **Integrative approach**
- **Intelligent earmarking approach**
- **Food for thought**



**THANK YOU FOR YOUR ATTENTION**



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