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AIM[®] POSITION PAPER

INTERNALISING THE ENVIRONMENTAL AND SOCIAL COSTS OF TRANSPORT

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POSITION OF AIM
ON
INTERNALISING THE ENVIRONMENTAL AND SOCIAL (EXTERNAL) COSTS OF
TRANSPORT

1. Transport is a key link in the logistics chain aimed at optimal supply and distribution of goods to the consumer. Transport requires absolute reliability, efficiency, accessibility and speed, at an affordable cost. In the current economic environment **road transport is the most commonly used mode in the fast-moving consumer goods sector**, due precisely to its capacity to fulfil these requirements. However, economic and therefore volume growth, more frequent, just-in-time deliveries to better serve the consumer, have to cope with infrastructure scarcity. The move of production locations to Central and Eastern Europe and other regions in the world to benefit from low labour costs have also led to more demand for road transport. This causes congestion, delivery delays and pollution. Should this development continue, road transport would no longer be economically and environmentally sustainable.
2. This is the reason why ECR Europe¹ set up the Sustainable Transport project: **to recommend a roadmap of best practices to make transport more sustainable**. The project is working on improvements resulting from unit load optimisation, shipment consolidation and distribution structure redesign, multi-modal transport and possible changes to the related regulatory transport framework. Improvements are planned to be measured in terms of fuel use, kms travelled, tons/km moved and CO² (note: this is work in progress by ECR Europe). It is important to have common metrics and an understanding of how to measure and who measures in order to be able to demonstrate improvements.
3. AIM acknowledges that **price steering mechanisms, such as charges or incentives, can drive efficiency improvements** by reflecting the total cost of the different transport modes, including environmental & social externalities. A common framework for a Europe-wide transport infrastructure charging approach, based on the model of marginal social cost charging at user level, and aimed at harmonising transport pricing around Europe, seems more reasonable than varying national approaches which would lead to extra administrative burden and distortions of competition. However, such a measure alone cannot drive total systems efficiency and should be **seen as only one in a series of regulatory and non-regulatory measures**. Voluntary industry efforts, such as deployed by

¹ ECR Europe is a voluntary initiative by European retailers and manufacturers to optimise supply chain management in order to deliver better value to the consumer. AIM, EuroCommerce and CIES, together with GS1, are the sponsoring organisations of this initiative. One of the ECR projects which are currently under way focuses on sustainable transport. More information on ECR Europe can be obtained from the ECR Europe Website : www.ecrnet.org

the ECR Europe Sustainable Transport project, make a valuable contribution to sustainable transport. EU policy measures on technical and performance standards (i.e. emissions), higher vehicle capacity, safety and maintenance, traffic flow management and infrastructure investments and social regulations, etc., need to complement an approach based on pricing. Also, the Commission needs to be aware that EU action on internalisation of external costs will ultimately have an impact on the price of products, which in turn will lead to higher costs for consumers and lead to competitive disadvantages vis-à-vis other regions.

4. In particular, there needs to be more emphasis by EU legislators on **developing viable alternatives to road transport**. If road is made more expensive without proper alternatives, there can be no meaningful shift to other modes but only higher costs, which are ultimately reflected in consumer prices. In this context, it is of particular importance to tackle the inefficiency of the European railways. If combined transport is ever to become a viable option, existing railway infrastructures and their operational management need to undergo a major upgrade, including the construction of intermodal hubs and doing away with administrative barriers at the borders. We acknowledge that first steps have been taken by the Commission to address this issue, but continuous and concentrated efforts of the EU are needed to bring about the necessary changes.
5. Furthermore, **any taxes or charges should not conflict with other transport-related regulations or sound economics**. Regressive rating, as an element of the infrastructure charging system, should encourage the optimisation of the use of vehicles. For example longer journeys should not be penalised. Similarly, charging structures should not conflict with driving restrictions or bans.
6. A point of special consideration for national governments is **to channel revenues from infrastructure charging systems into infrastructure building and maintenance and traffic management improvement**. Such revenues should not be lost in general public budgets.
7. It is important that **policy measures are taken at an EU-level to provide a level playing field** for transport providers and users across the European market. All actors in the transport sector need to be provided with the same incentives to use transport capacity more efficiently and restructure transport-related processes. For an economy which increasingly depends on quick, efficient and reliable transport modes, a harmonised approach to transport is vital to allow fair competition.
8. In this context, AIM would be concerned if there is **too much freedom for national governments to levy additional transport taxes and charges**, which are bound to distort the overall pricing framework (although the Commission has recommended in the past non-distorting and non-discriminating measures). Such an approach would simply move the cost

base to a higher level instead of introducing a more transparent and fairer system.

9. Another question is how additional transport charges would be effectively offset by lower labour charges. There are few details about **how transport charges could be an integral part of the plans for an environmental tax reform.**
10. Furthermore, as already noted above, the Commission should always bear in mind that there are **alternatives to pure road pricing** measures, and the ECR Europe Sustainable Transport project is working on many of them, such as optimisation of vehicle fill, consolidation of loads, improved transport routing and scheduling, all of them leading to more efficient transport with fewer trucks on the roads.
11. Finally, the EU's focus seems to be first and foremost on commercial transport which is only part of the problem of congestion and pollution. The **impact of private car transport should not be ignored.** There seems even more significant scope for success in re-orienting private car use.
12. AIM urges the Commission to adopt a **gradual approach to costing, based on careful consideration of the impact on competitiveness and effectiveness and with sufficient time for transport users and providers to adjust.** A balance of incentives and charges may be more efficient than just imposing extra taxes. Also the various steps to implement the charging approach, including the calculation of the external costs, should be explained in a transparent manner.

Brussels, January 2008