



POSITION PAPER "CONSULTATION INTERNALISATION OF EXTERNAL COSTS"

21 DECEMBER 2007

EuroCommerce welcomes the public consultation the Commission is carrying out on the preparation of an impact assessment on the internalisation of external costs, launched on 30 October 2007.

In the following EuroCommerce will make a number of general comments more suitable for a document than for the online consultation.

EuroCommerce considers that taxation/charging in the transport sector should be dealt with carefully. If not, there is a risk that infrastructure charging evolves into just another taxation with little or no relation to the objective of paying for external costs and creating level playing field between the modes.

While the theory of "the-polluter-pays"-principle can seem correct, it will require great precision in the calculation, administration and application of external costs, to ensure that an optimal situation is reached. If these conditions are not met the suboptimal situation reached will not be better than today's situation.

In particular EuroCommerce finds that co-modality is essential in order to solve the problems of many externalities in transport. However, to make the switch to other transport modes or to promote co-modality in the supply chain, there must be alternatives available which are efficient and effective. Unfortunately, at present this is often not the case.

Approximately 80%¹ of all EU citizens live in urban areas with commerce companies (both wholesale and retail) providing nearly all goods to urban populations. While alternative modes of transport may be an option for longer distances and in other places of the supply chain, the "last mile" transport, in particular in city centres, clearly remains road transport.

Extra charges on road transport modes will not result in a shift to other modes but simply in an increase of costs.

¹ Background paper for the launch-conference "urban transport: problems, solutions and responsibilities" Brussels, 31 January 2007

For EuroCommerce it is therefore important, that

- Ø internalisation is addressed with extreme caution;
- Ø any internalisation of external costs ensures a level playing field between all modes;
- Ø the need for alternatives is recognised as crucial for achieving the objectives;
- Ø transport operators and shippers do not pay twice for the same cost and
- Ø such a system encourages the market-uptake and use of less polluting vehicles, traction, safer driving etc...

Disadvantages/Advantages

The main disadvantage will be more expensive transport without having taken into account the effects on employment, regional development, differences in location, etc. The adjustment costs can be substantial for the economy, particularly when no alternatives are available.

How could the negative effects of congestion, accidents and environmental nuisances be reduced?

Congestion is often a local problem that needs local solutions. Major parameters seem to be attractive public transport networks, measures aiming at traffic fluidity (i.e. traffic lights to be coordinated in "green waves"), intelligent guidance systems preventing drivers from using the most congested roads or helping to reduce the time spent on looking for a parking space.

There remains broad scope for tackling environmental nuisances through technological development and development of infrastructure. It is however clear, that measures should be taken to ensure and encourage the markets uptake use of these improved technologies, for instance when the initial investment will be higher compared to older available technologies.

Measures aiming at reducing the negative aspects of freight transport by the commerce sector exist already and have been implemented at local level. For example logistics platforms at the entry of cities to coordinate and optimise deliveries are developing as well as special tail lifts to limit noise pollution. The commerce sector is ready to continue its constructive cooperation with local, national and EU authorities on urban transport to achieve effective and cost-efficient solutions.

Many of the costs caused by accidents are already covered through insurances and general taxation and are therefore already internalised in the commercial sector.

Are there other non-pricing instruments you would suggest for congestion, noise, accidents, air pollution, climate change?

From the point of view of commerce the technological possibilities in order to optimise sustainable goods transport have not been fully exploited yet. For long-distance transport the use of larger lorries, such as the European Modular System (EMS), could contribute to relieving traffic problems.



The use of less noisy lorries could contribute significantly to reducing the noise level in inner cities. For night deliveries, automated delivery methods could facilitate inner-city deliveries outside shop opening hours leading to less traffic congestion during the rush hour.

The target should be to encourage the introduction of clean and efficient solutions for vehicles, to provide fiscal advantages for the users of cleaner/efficient/less noisy vehicles, and to increase the use of new technologies and innovative solutions for improved traffic flow.

Where should revenues from external costs go to?

The revenues from external costs should go to the mode of transport that has been charged or taxed. Any income raised from road usage should be invested back into optimising road transport. We are against cross-subsidising, where the income from the road sector is used to invest even more massively into i.e. the rail sector particularly in a situation, where road infrastructure is scarce – leading to congestion and even more pollution and noise.

EuroCommerce represents the retail, wholesale and international trade sectors in Europe. Its membership includes commerce federations and companies in 29 European countries. Commerce is the closest link between industry and the 450 million consumers across Europe. It is a dynamic and labour-intensive sector, which plays a significant role in the European economy, generating 13% of the EU's GDP through 5.5 million companies. 95% of these are small enterprises. Over 27 million Europeans work in commerce and the sector supports millions of dependent jobs throughout the supply chain. www.eurocommerce.be