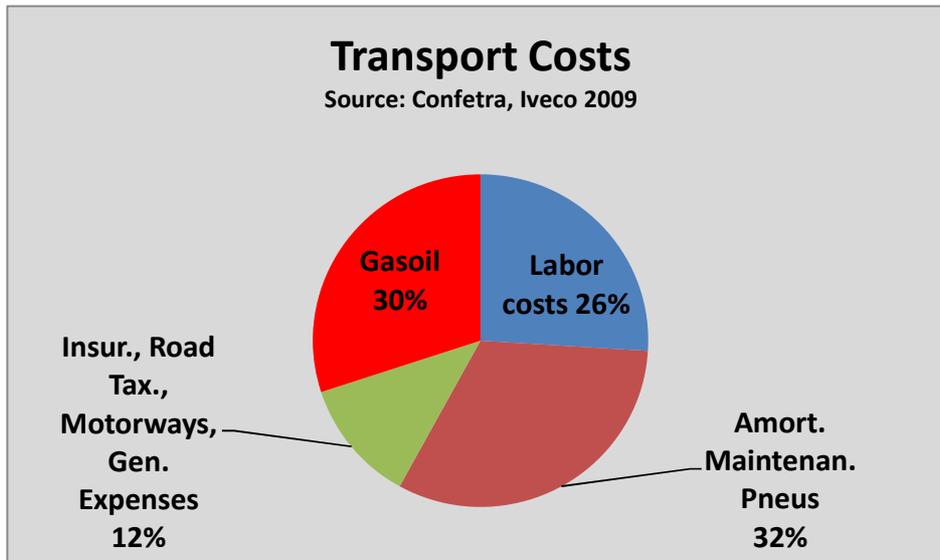


Transport costs: tolls.

" Eurovignette "and the 'internalization of external costs": a brief history



Among the costs that burden on road transport, of course after fuel and labor costs, are assuming ever greater importance those relating to vehicle taxes, but especially to the tolls (originally designed to remunerate infrastructure costs from the use of motorways or special traits of the

remainder of roads of the various European countries).

Over the past twenty years Parliament and European Council have tried to legislate on the subject and to harmonize tolls at Community level, to ensure the coverage of the so-called "external costs" of transport.

The first Directive, 93/89/EEC - Eurovignette of October 25, 1993 "on the application by Member States of taxes on certain vehicles used for the carriage of goods by road and tolls and user charges charged for the use of certain infrastructures ", sought to harmonize the different components of cost burdened on vehicles to ensure the free competition of the activities of road transport in the European Economic Community.

In the meantime a very lively debate on so-called "External Costs of Vehicles" was developing, with the intention, not too hidden, to increase taxes on motor vehicles, justifying it with the need to shift the tax burden on road transport, considered mostly responsible of the social costs related to congestion, pollution and accidents.

On this subject OICA formed a task force (which was chaired by Anfia) to analyze the problem and offer its views on it, and published in mid-1995 a document that had a wide circulation but did not prevent the Commission to proceed on the path of increased taxation on motor vehicles.

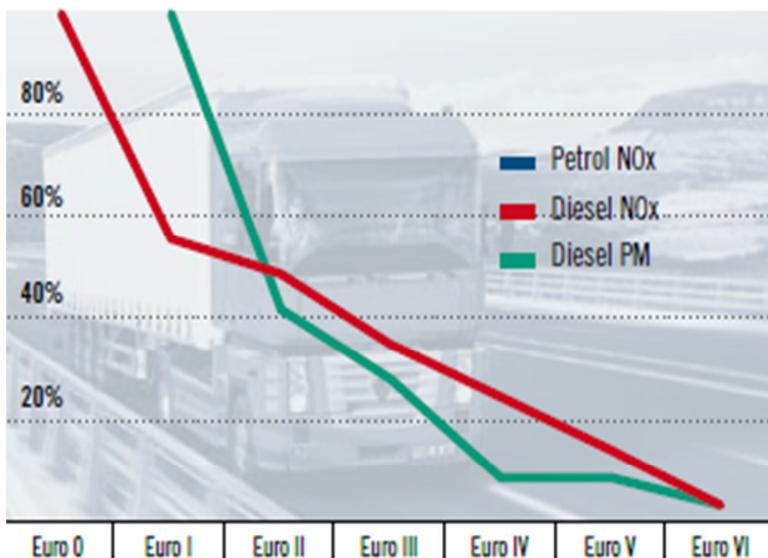
And in fact the end of 1995 the European Commission approved the Green Paper: "Towards fair and efficient pricing in transport - policy options for internalizing the external costs of transport in the European Union".

Purpose of this document, strongly backed by the Commissioner for Transport Neil Kinnock, was to open a debate on how the pricing tools could help to solve the main problems created by road transport (congestion, accidents, environmental pollution), but in reality the approach that the Commission wanted to bring forward did not change much.

To refute their thesis the Major Associations of Manufacturers of Industrial Vehicles and Transport (ACEA, OICA, UNICE and IRU) substantially reiterated that the External Costs were already well supported by taxation in place across Europe. The three fundamental thesis (still valid today in our opinion) were:

First. *Congestion, that the Green Paper considered responsible for a 2% of EU GDP (a value never supported by concrete data), it not an external cost. Our opinion is shared by the study of the IWW / INFRAS, commissioned by the EU for drafting the Green Paper, and by the majority of the existing literature on the subject. Congestion is not an external cost, because it is paid directly by the user in terms of journey times and more additional costs for use of the vehicle. It exists because are lacking sufficient infrastructures to meet the greatly increased demand for mobility. The solution to the problem is not an increase of taxes on road mobility, since this would be the concrete result of the so-called "congestion pricing", but a strong recovery in investment dedicated to the development of the road network and its improvement. Moreover, sources close to the Public Administration in France and Holland, talk about costs non greater than 0.1 to 0.4% of their GDP, and decreasing.*

Second. *The environmental costs of pollution will cease to be a problem within the first decade of 2000, as a result of technical improvements introduced by the manufacturers (e.g., catalytic converters) and fleet renewal.*



Already, the emissions are following a downward curve, whose slope depends on the speed of fleet renewal, with the replacement of old cars with new cars, and the seriousness with which the compulsory revisions will be implemented under the EU Directive on the subject, and which the Minister has assured will start in our country at the beginning of next year.

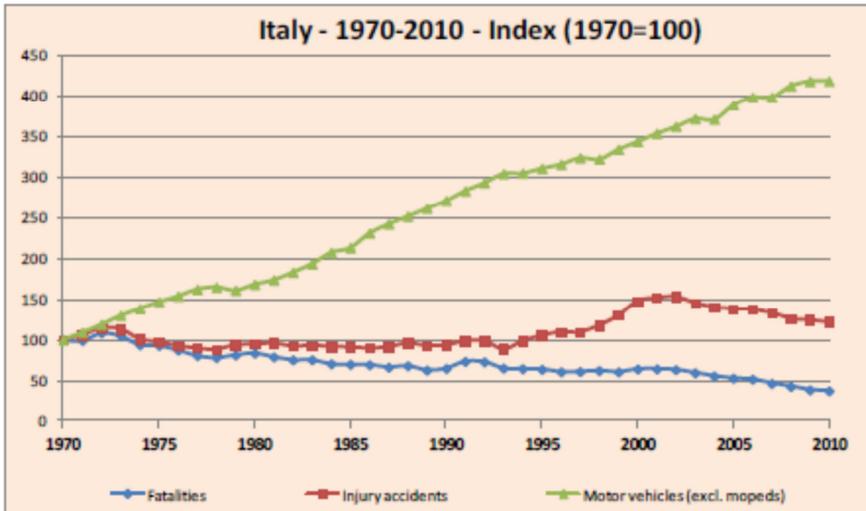
Third. *At the same time victims and*



POLICY OPTIONS FOR INTERNALISING THE EXTERNAL COSTS OF TRANSPORT IN THE EUROPEAN UNION

injured in road accidents will be reduced by at least 40%, due to the presence in the running park of the active and passive safety measures present in the new vehicles. This can be accelerated through the resumption of investment in transport infrastructure, especially highways and motorways, to relieve congestion, and where serious accidents is equal to one-sixth that on the regular network.

ITF - Reduction of accidents in Italy



It should be noted that even in those years the huge tax revenues from the taxation of vehicles in circulation abundantly exceeded the costs of pollution, accidents and infrastructure, generating a surplus which, for Western Europe in 1996 will be of about 15,000 billion lire, and will increase in the next decade, due to the progressive reduction of

environmental costs and accidents.

	1970	1980	1990	2000	2009	2010	2010% change over		
							2009	2000	1970
Fatalities	11 025*	9 220*	7 151*	7 061	4 237	4 090	-3.5%	-42%	-63%
Injury crashes	173 132	163 770	161 782	256 546	215 405	21 1404	-1.9%	-18%	22%
Rates									
Deaths/ 100 000 population	20.5	16.3	12.6	12.4	7.1	6.8	-3.6%	-44%	-67%
Deaths/ 10 000 registered vehicles	7.9	4.7	2.1	1.7	0.9	0.8	-8.2%	-54%	-90%
Deaths/billion veh-km	N.A								
Motorisation (number of vehicles/1 000 inhabitants ^o)	216	347	546	701	810	806	-0.5%	+15%	+273

This surplus was all the more true for Italy, where the tax revenue in 1996 will reach a record 114 trillion lire, equal to 22% of all tax revenues, the highest share among European countries, comparable for the number of vehicles, and responsible among other things for most of the dramatic compression of the Italian car market, which at the time was going through a serious crisis.

It was concluded that there was nothing else to be internalized, and that the strategies proposed by the Green Paper to solve mobility problems would translate into a further increase of the already heavy taxation on road, and would only have as result the 'increase in transport costs, and then of

production costs and costs of products, with the result of rekindling inflation, loss of competitiveness to the whole of the European economic system, and produce more unemployment”.

To confirm what was stated more than 15 years ago, the tax burden on the road mobility in Italy, despite the huge increase in general taxation, now exceeds 16% of all tax revenues, as shown in the table prepared by Anfia for 2010, one of the highest percentages in Europe and certainly still plenty to cover all external costs.

CARICO FISCALE SULLA MOTORIZZAZIONE IN ITALIA
FISCAL TAXATION ON MOTOR VEHICLE SECTOR
(MILIARDI DI EURO)

Voci di prelievo fiscale / Fiscal taxation items	2009	2010	Var. % 2010/2009
1. CARBURANTI / Fuels	30,03	30,39	1,2
2. LUBRIFICANTI / Lubricants	0,88	0,93	5,8
3. IVA - ACQUISTO AUTOVEICOLI e DIRITTI MOTORIZZAZIONE Vehicles acquisitions	8,30	7,50	-9,6
4. IVA - MANUTENZIONE E RIPARAZIONE/ACQUISTO RICAMBI, ACCESSORI E PNEUMATICI Vehicles maintenance and repairing/Acquisitions of sp	10,26	10,60	3,3
5. PEDAGGI AUTOSTRADALI / Motorway tolls	1,27	1,42	12,3
6. IMPOSTA PROVINCIALE DI TRASCRIZIONE (IPT) Registrations / Transfer acts	1,18	1,14	-2,8
7. POSSESSO (Bollo Auto) / Vehicles ownership	6,50	6,61	1,7
8. PREMI ASSICURAZIONE RC, FURTO, INCENDIO Insurance prime (civil liability, coverage against fire and theft)	3,94	4,05	2,9
9. ALTRO (PARCHEGGI-CONTRAVVENZIONI etc.) / OTHERS (Parking fees-Fine-etc.)	4,65	5,19	11,5
(A) TOTALE / Total	66,99	67,83	1,2
(B) TOTALE ENTRATE TRIBUTARIE NAZIONALI / Domestic fiscal income	414,01	409,73	-1,0
% CARICO FISCALE / Taxation (A) SU ENTRATE TRIBUTARIE NAZIONALI on domestic fiscal income (B)	16,2	16,6	

Elaborazione ANFIA su dati e stime ACI, AISCAT, ANIA, AUTOPROMOTEC, FEDERPNEUS, ISTAT, MEF, MISE, MIT, UP e altri organismi di settore
ANFIA elaborations. Data/estimates source: ACI, AISCAT, ANIA, AUTOPROMOTEC, FEDERPNEUS, ISTAT, MEF, MISE, MIT, UP and other Italian sector institutions

In July 1997, the Green Paper was followed by the White Paper "Fair payment for infrastructure use: A phased approach to a common transport infrastructure charging framework in the EU" and in the meantime, the Commission proposed to replace the Directive of 1993 - Eurovignette with a new Directive to reflect the concepts supported by the White Paper.

And since 1999 (Directive 1999/62/EC) takes legal form the political will of the Commission and the European Parliament to cover the so-called "external costs" produced by transport (pollution, congestion) with detailed proposals for harmonized taxation, - circulation and registration taxes, tolls and user charges for the use of certain road infrastructure (Eurovignette -, and established a mechanism, believed fair, to charge the costs to carriers.

The Directive applied to vehicles with GVW of less than 12 t.

The countries that have adopted the Eurovignette are: Belgium, Denmark, Luxembourg, the Netherlands and Sweden.

With the subsequent Directive 2006/38/EC of May 17, 2006, the Directive 1999/62/EC was amended with the intent to establish a new Community framework for charges relating to the use of road infrastructures. According to the intent of the Commission that made it possible to improve the

efficiency of road transport and guarantee the proper functioning of the internal market. The Directive lays down rules, for the application by the Member States, for tolls and user charges on roads, including the Trans-European road network and those in mountainous regions.

From 2012 onwards Directive 2006/38/EC should have also been applied to vehicles between 3.5 and 12t.

Member States could differentiate tolls according to the emission category (classification Euro), the degree of damage to the road, and the places, the times and the degree of congestion. This would make it possible to solve the problem of congestion, including environmental damage, based on the criteria "user pays" and "polluter pays". With Legislative Decree of January 25, 2010, n. 7 ("Implementation of Directive 2006/38/EC, amending Directive 1999/62/EC on the charging of heavy goods vehicles for the transport of goods on road vehicles for the use of certain infrastructures", published in the Official Journal no. 32 of 9 February 2010), the Directive has been transposed into Italian Legislation.

The last act of the story of Eurovignette was made on June 7, 2011, when the European Parliament adopted the new Directive Eurovignette III reforming the previous Eurovignette Directive (1999/62/EC).

On 12 September 2011 the European Council approved the amendments to the new directive. The decision was taken without debate. Italy and Spain voted against, abstained Ireland, Portugal and the Netherlands.

Table 1: Maximum chargeable air pollution cost

cent/vehicule.kilometre	Suburban roads (including motorways)	Interurban roads (including motorways)
EURO 0	16	12
EURO I	11	8
EURO II	9	7
EURO III	7	6
EURO IV	4	3
EURO V	0	0
after 31 December 2013	3	2
EURO VI	0	0
after 31 December 2017	2	1
Less polluting than EURO VI	0	0

The values of Table 1 may be multiplied by a factor of up to 2 in mountain areas to the extent that it is justified by the gradient of roads, altitude and/or temperature inversions.

The Directive is therefore approved and the Member States have two years to transpose it into national law. In the new text, the Directive introduces the principle of "polluter pays" and allows Member States to adapt tolls to external costs for air pollution and noise, adding 3-4 cents (per vehicle / km on average) to cost of infrastructure use. The Directive will cover the Trans-European Networks (TEN-T) and highways and will apply to vehicles over 3.5 t; any derogation granted by the Member States to vehicles up to 12 tons will have to be justified to the European Commission.

Member States are committed to investing at least 15% of its revenues in the financing

of TEN-T projects. In mountainous areas, in particular, the total of such revenues shall be invested in projects related to the same TEN corridor, and may also be increased by up to 25% for the most polluting vehicles (from EURO 0 to EURO II), which will be extended the class EURO III from 1 January 2015. Motor vehicles less polluting will be exempt from the costs of air pollution until 31 December 2013 for the EURO emission class V, and up to December 31 2017 for EURO VI. As to congested areas,

the rate of change of the toll may go up to 175%, with higher rates applicable in the five peak hours and lower rates for other periods.

To enhance transparency and public debate, MEPs included in the Directive the obligation for Member States to report regularly to the Commission on the use of tariffs and charges

The new directive was criticized by transport associations. According to the International Road Transport Union (IRU), the Directive Eurovignette simply transforms into a new heavy additional tax paid by the citizens of the European Union for any freight service on the road and will penalize the European economy and creation of jobs and will not lead to environmental benefits. The International Association of Road pointed out, in fact, that the new text does not require the mandatory provision of new revenues in order to use them to actually reduce at source the externalities generated by road transport business. "With the approval of the measure - said the IRU - the European Parliament, in fact, failed to make" green "the road by not making compulsory the allocation of Eurovignette revenue and only creating a new tax on road transport services that are already heavily taxed."



Remembering they do not contest at the "polluter pays" principle, the National Association of Road Transport (ANITA) criticized rather "the unfairness of this measure that penalizes only the freight and no other modes and types of transport ". "This measure, in fact - said the association - will result in an additional burden for the road transport when crossing the Alps The provision of an additional amount for congestion, which will not be recoverable, will increase the current level of tolls by more than 10% for emissions and more than 50% for congestion in international transport. "

According to Anita, "such an increase in the cost of road transport, in the absence of a viable alternative to rail transport, will have serious repercussions on the Italian economy, whereas major rail infrastructure such as the Brenner and Turin / Lyon will be ready only after 2025 ".

Emilio di Camillo – Centro Studi Subalpino - December 2012