



**Position of the association of European Metropolitan
Transport Authorities (EMTA) on the proposal of the European
Commission to harmonise taxation of commercial diesel fuel**

December 2002

The association of European Metropolitan Transport Authorities (EMTA) brings together 28 public authorities in charge of the public transport networks of the largest European cities. These authorities plan, co-ordinate, fund and are constantly seeking improvement in the quality of public transport systems serving more than 70 million European citizens. These networks have a critical role in maintaining mobility in cities while minimising the damage caused by transport to the environment. In general, for a given number of passenger kilometres carried, public transport (including buses) produces only one quarter of the pollution and greenhouse gases generated by the private car.

The Members of EMTA have welcomed the objectives set by the White Paper on the European transport policy to 2010, adopted in September 2001 by the European Commission, and among them the need to reduce congestion and the environmental impact of transport through appropriate charging mechanisms and investment of the proceeds in environmentally friendly modes of transport. At the same time they also recognise that the present differences between Member States' excise duty rates on petrol may lead to distortions of competition in the European internal market, and that the European Commission needs to address this issue.

However, the proposal for harmonisation of taxation of fuels in the EU released by the European Commission last July (see document 10979/02 and press Release IP/02/134 of the European Commission on 24th July 2002) does not take due account of environmental and transport policy concerns, and could even be counter-productive in this respect.

Indeed EMTA transport authorities disagree with some key aspects of the proposal of the European Commission:

- contrary to what has always been agreed on the issue of harmonisation of taxation of fuel (see the Commission's 1997 proposal of Directive on the taxation of energy, and the debates at the Council of Ministers of Economics and Finance¹), **the Commission does not propose setting a minimum level of excise rates, but rather suggests to set a single harmonised rate for the whole European Union.** This means that the countries which have higher levels of taxation than the proposed harmonised rate (€350 per 1000 litres of petrol) would have to reduce their excise duties so as to reach this common rate in 2010 at the latest. This would be a **major impediment for countries wishing to pursue environmental protection policies through heavier taxation of vehicle fuels.** The countries with higher rates of excise duties than the European average find it hard to understand that they would be prevented by the European Union from carrying on with their ambitious policies, which require strong political endorsement. The explanation given by the European Commission (road hauliers and coach operators operating on international routes can buy their fuel in a neighbouring country) is a minor matter compared with the environmental damage which will be caused by lowering fuel duties

¹ See press releases IP/97/211, MEMO/02/121, MEMO/02/223, MEMO/02/226

(otherwise, a country with higher excise duties than its neighbours would lose most of its revenues, which is of course not the case today). The Commission should extend its analysis by providing objective information about the percentage of companies and people who buy their petrol in a foreign country because of differences in the level of excise duties and by undertaking an environmental assessment of the effects of the proposed changes in fuel duties in the different Member States.

- **the Commission provides no justification for the proposed harmonised level of taxation (€350)** other than as being a “central” rate between the current levels in the EU countries. Nothing proves that this rate is not too low in the perspective of achieving fairer competition between the different transport modes and in relation to the impacts on the environment and on congestion. EMTA transport authorities consider that the Commission should - at least - provide some scientific evidence of the fact that the harmonised rate will provide a basis for a fair taxation of road transport. There should also be more thorough analysis of the consequences of this proposed harmonised rate on the competitiveness of road transport and on the internalisation of its external costs.
- there is **only limited recognition of the specific roles problems of public transport in the current proposal of the Commission**. As indicated in Annex 3 of the proposal 10979/02, many European countries have some mechanisms of exemption or of reduction of excise duties for bus operators. It appears doubtful whether these advantages could be maintained under the new directive as proposed:
 - Article 5 of proposal 10979/02 allows differentiated rates of tax to be applied for local public transport. It should also include coaches, which also provide a very environmentally friendly form of transport.
 - Under Article 8, however, the reduced rates of duty which are applicable to the latter fuels when used for public transport purposes would not apply to diesel. This would result in an increase in the price of diesel fuel for public transport in some member states. Yet most buses are diesel-powered, and recent improvements in diesel engines (partly stemming from European legislation) have made diesel engines no more damaging to the environment than equivalent lpg and natural gas engines.
 - The continuation of existing exemptions and reductions granted by Member States is at present only allowed to continue until the end of 2006, subject to prior review. This means that any advantages beyond those just describe would be lost from that date, and the competitiveness of public transport would suffer accordingly. Provision should be made (e.g. by setting minimum rates for fuel used for public transport sufficiently low) so that existing reductions and exemptions can at least be maintained.
- Meanwhile it is noted that Art 15(e) allows member states to give exemptions/reductions for energy products used for the carriage of passengers by rail. It is not made clear

whether this includes e.g tramways and metros. This should be clarified. The power of total exemption should be extended to all public transport, and not just to rail systems.

Although EMTA transport authorities share the objective of the Commission to develop non-polluting public transport modes (fuel cell buses for example), they think that this proposal should allow for a derogation for existing public transport systems (bus and coach).

If specific allowance is not made for public transport as recommended above, EMTA transport authorities fear that the proposal of the European Commission could both reduce the attractiveness of public transport (by leading to increased fares to travellers so as to compensate for the increase in the price of fuel paid by bus operators) and to financial difficulties for both public transport operating companies and authorities.

As public transport authorities know well, the financial balance of public transport is very difficult to reach, and authorities are already heavily involved in the funding of operational costs in most EU countries. That is why the Commission's proposal should enable, and even encourage, special mechanisms to alleviate excise duties on fuel used for public transport systems, and not the contrary.

Conclusion

The need for a measure of harmonisation of the taxation of fuel in Europe is recognised. However, a fairer taxation of road transport and an internalisation of its external costs to reduce congestion and environmental damage are more important than the harmonisation of excise rates. That is why EMTA transport authorities call on the European Commission to pursue coherent policies. The proposal must be designed so as not to reduce the attractiveness of public transport anywhere in Europe. This is particularly important in those countries which can be regarded as cases of good practices in their fight to promote alternatives to freight transport by road and the use of private car through heavier fuel taxation.

EMTA Members consider that the preparation of this new proposal should be the responsibility not only of the Directorate General for Taxation, but also for the Directorate General for Energy and Transport.

Paris, 04 December 2002

List of public transport authorities belonging to the association of European Metropolitan Transport Authorities (EMTA)

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