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**SUMMARY REPORT ON THE OUTCOME OF THE
PUBLIC CONSULTATION FROM DG TAXUD**

[July-September 2006]

**Excise duties - narrowing excessive differences
in commercial diesel tax levels**

1. THE CONSULTATION

On 20 July 2006, the European Commission launched a public consultation on its website. The consultation period officially ended on 30 September 2006, but contributions received after this date were also taken into account.

The goal of this consultation was to provide input for the discussion, gather relevant feedback and assist the Commission services in developing their thinking on the subject of narrowing the differences in commercial diesel tax levels.

In parallel, representatives of the main stakeholders were consulted in greater detail in order to benefit from their expertise.

The present paper sums up the results of the public consultation and the views of representatives of the main stakeholders consulted i.e.

- Representatives of the haulage sector,
- Representatives of the automobile industry,
- Representatives of the petroleum industry.

The three different options under scrutiny can be summarized as follows.

The first option (option A) consists of not intervening at Community level (the no policy change option). This means that unless Member States decide to improve coordinating the levels of their excise duty rates, the tax differences will remain unchanged.

The second option (option B) consists of programming full harmonisation between Member States of excise duties on commercial diesel. In 2018, the single rate would be €400 per 1000 l.

The third option (option C) consists of enhanced approximation of excise duties applicable to commercial diesel. A fluctuation band would be set at Community level, with a minimum and a maximum tax limit around a central rate, in which Member States would have to define the level of taxation applicable to commercial diesel. The width of this fluctuation band should be progressively reduced to reach €100 by 2013.

In order for the proposal not to impose any increase in commercial diesel excise duties, the Commission services propose to retain the current minimum levels fixed by the ETD as the bottom line of the fluctuation band until 2012. From 2013, the band could be indexed (C1) or remain stable (C2), but with a higher minimum level than currently fixed in the Energy Tax Directive (for example €359 per 1000 l, the same minimum level as for unleaded petrol)

In options B and C:

- Transitional periods granted in Directives 2003/96/EC, 2004/74/EC and 2004/75/EC would be maintained;
- The non-commercial diesel tax rate would not be less than the rate applied to commercial diesel.
- In cases where the excise duty for commercial diesel differs from the duty for non-commercial diesel, the price of commercial and non-commercial diesel in

petrol stations would remain identical. A refund mechanism would be applied at Member State level in order to avoid discrimination against non-established traders.

2. KEY RESULTS

A total of 52 external contributions were received in response to the consultation. Of that, 37 were from national federations or associations, 7 were from European or international associations, 7 were from business and one was from a European citizen.

The replies can be divided into the following sectors:

Haulage sector	31
Automobile industry	3
Petroleum industry and tank stations	6
Ports	2
Railways	2
Handcraft	1
Others	7

The main industry sector reacting to the consultation was the haulage sector, which accounted for more than half of the responses. Tank (or service) stations and petroleum industry participation amounted to more than 10% of the responses. Other sectors, such as automobile industry, maritime ports, handcraft operators and railway firms also participated.

The haulage industry warmly welcomed the Commission initiative. The great majority of the hauliers support a change to the current situation. The preferred option is total harmonisation in a nearest future (2018 seems too far away) and, if possible, at a lower rate, that is to say a modified option B. In case this option is not realistic, they could accept option C as an interim solution towards harmonisation or as a second best option. They estimate that it would be easier to have it adopted by Member States since it respects their sovereignty to a greater extent than option B.

The representatives of the automobile industry acknowledged that the current situation was not satisfactory from an internal market perspective. However, they are not convinced that the magnitude of these problems is such that it warrants a change to fuel taxation systems that might, according to them, have potentially serious negative implications for the automobile industry. Since they do not suffer from the current situation, they would prefer the no-change option (option A) to any of the other proposed options.

At the European level, representatives of the petroleum industry have adopted a neutral stand on the proposed options. However, when located in high taxing countries, tank stations representatives support option C or, even preferably, option B.

3. OUTCOME OF THE CONSULTATION – DETAILS PER QUESTION

3.1. Question a. Do you consider the current state-of-play satisfactory (option A)?

3.1.1. The haulage sector

1.1. General considerations

The road transport industry suffers from low rates of profitability (the EU average rate is said to amount to roughly 1% according to studies carried out on behalf of the sector). It is, and will for the foreseeable future, be dependent on fossil fuels as there is no economically viable alternative. Given that the fuel price amounts to between 20 and 30 % of vehicle operating costs¹, fluctuating oil prices and high fuel taxation have a huge impact on profitability.

The sector is very competitive. The majority of national hauliers associations made reference to the impact of international operators on the national markets. The extent of international competition on the domestic market is very much dependent on geography as well as fuel taxes. International competition on the domestic market was noted to be more prevalent in border regions. Transit countries in the centre of Europe are confronted by this competition to a greater extent than those at the periphery of Europe. For example, Danish and Estonian hauliers said that they faced little or no competition on their domestic market. By contrast, for UK, French and German haulage associations, this competition was considered to be present to a very great extent. Associations in these countries consider that urgent action to remedy the distortions of competition created by divergent fuel duty is a priority for the national haulage industry.

More generally, representatives of the sector fully appreciated the initiative of the Commission to re-open discussions on this issue of vital importance to the road transport industry. Many representatives from the haulage sector spontaneously stressed that only European regulation can reduce the existing fiscal distortions of competition.

1.2. Assessment of the current situation

A minority of hauliers stated that their members were, to a certain extent, satisfied with the current situation (Denmark, Estonia, Hungary, Belgium, Spain). For Denmark and Estonia, this position is due to the fact that they consider the proposed rates under options B and C too high. This was also the reason put forward by an international association to reject all options proposed by the Commission. In the Belgian and Spanish² cases, the national associations clearly indicated that they wished to maintain

¹ In the case of Germany and the UK fuel represented as much as 30 and 32% respectively. In the UK it is estimated that fuel taxes alone, represented 19% of total annual operating – over half the amount represented by total fuel costs.

² Yet, the Spanish Confederation opted for a reform of the current state of play.

their competitive advantage, in a market where hauliers suffer from enhanced competition from the new Member States. Nevertheless, 50% of the Hungarian hauliers estimated that there was a need for option B or option C.

Overall, the great majority of haulage industry considers the present situation highly unsatisfactory and reject the no policy change option (A), because of the existence of:

- **Tank tourism:** Minimising costs through transport planning is central to the international road transport industry. The responses demonstrated that fuel taxes play a significant role in deciding operational questions regarding the transport of goods, but not regarding passenger transport where customers do not wish to make any detours. Nevertheless labour costs, driving and rest time rules and working time legislation may reduce the incentive to make detours in the transport of goods.

- **Distortions of competition:** The market is characterised by a significant lack of harmonisation, particularly in the social and in fiscal areas. Since all hauliers do not in practice have access to cheap diesel, the lack of fiscal harmonisation creates distortions of competition³ that reinforce disparities in social and labour costs.

One international association acknowledged that international road transport operators present on national markets in competition with national road transport operators who do not have access to cheaper fuel are particularly likely to benefit from differences in fuel duty. Vehicles with large capacity fuel tanks and operators situated next to borders beyond which fuel duties are lower were also particularly likely to benefit from the current situation. In the latter case a harmonisation of professional fuel duty would have the added advantage of allowing transport companies who benefit from their current location, to relocate away from the borders and closer to their customers, which would, in turn, reduce needless journeys.

The existence of distortions was confirmed by national associations. **An Austrian passenger transport association declared that the current situation was characterised by high distortions of competition. A Belgian goods transport association stated that, if one excludes the lowest and highest taxing countries, the relative price differences in diesel, given the current prices of oil, amount to about 25 %. They estimated their impact on transport prices to be around 5 %, given the fact that fuel represented 20 % of their total costs.**

Because of Germany's geographic position at the centre of Europe and competitive distortions faced by its industry, domestic operators face unfair competition from non-resident transport companies on both national and international transport markets. The situation has grown worse since EU enlargement. According to a German association, three-quarters of the international journeys made in Germany are carried out by foreign-registered operators. The German share of international transport was as low as 10% for the movement of goods to and from central and eastern European countries (against 25 % for Western Europe). With the German decline in international transport, only a few German hauliers located close to borders are able to neutralise their fiscal competitive

³ **It creates distortions without bringing benefit, since, as a national association underlined it, competition due to the fiscal environment diversity between Member States is not competition resulting from real entrepreneurship, nor is it sustainable for that reason.**

disadvantage through tank tourism. The no policy change option would therefore result in more losses of employment and more bankruptcies in the haulage sector.

According to a British Association, opportunities for UK operators to purchase fuel at cheaper prices abroad were limited. The exception to this general rule was for operators based in Northern Ireland who made regular use of the possibility to purchase cheaper fuel in the Republic of Ireland. The 2005 Burn's Freight Tax Enquiry concludes that disparities in fuel duty were the single biggest issue facing (UK) transport operators ranking above the cost of regulation road congestion, insurance costs and staff skill shortages. An association explained that the impact of the lower cost base of many foreign operators has been to create a baseline level for UK domestic haulage rates which is commercially unsustainable in the medium term for UK operators. Indeed, statistics from the UK Department for Transport⁴ show that UK-registered vehicles entering the UK through the ports now account for only 25 percent of powered vehicles (foreign-registered account for 75%) compared to a 50/50 percentage split only eight years ago. Whilst other factors such as the strength of the Pound have an influence on this trend, research⁵ has demonstrated that the price of fuel is a major contributory factor. They would welcome all the more a Commission initiative in this field after the UK government's decision in July 2005 to postpone the implementation of the Lorry Road User Charging (LRUC) announced in 2001.

French hauliers cite a study carried out in 2005 by the *Service Economique et Statistique du Ministère des Transports Français* (SESP) undertaken in 10 European countries, according to which the disparities in fuel duties were reflected in the evolution of the market share of French road transport companies (the countries analysed included Germany, Portugal, Spain, Italy, Austria, Luxembourg, Belgium, the Netherlands, France and the United Kingdom). Since 1999, French road operators have lost 33% of their share of international road transport markets and tax alone could explain more than one third of this loss. Between 2001 and 2005, the road transport sector has lost 15,000 jobs when traditionally it had been a creator of employment.

- **Detours:** Not all respondents replied to this question. Nevertheless, a significant number of hauliers recognized the existence of detours and therefore of additional working hours. **German hauliers recognise that it is “accepted to make detour travel with the objective of economic efficiency and also to do this at the expense of environment”.** Tank tourism detours are especially pronounced in border regions where there are large divergences in fuel duty on either side of the borders in question.

Only a limited number of replies gave some quantification of the phenomenon, thus making it difficult to draw definitive conclusions. Nevertheless, **the Hungarian association stated that:**

- The majority of companies interviewed would drive a maximum of 20 extra km to benefit from fuel that was €50 cheaper pro 1000 litres,

- If fuel were €100 cheaper per 1000 litres, 40% of the contacted operators claimed that they would consider a detour of between 20 and 50km,

⁴ Transport Statistics Bulletin “Road Goods Vehicles Travelling to Mainland Europe: Q2 2006”.

⁵ CEBR report “Fair Play on Fuel – Towards Parity with Europe”.

- Finally, if it were €150 cheaper, 40% of the interviewed companies would consider a detour of up to 100km.

Responses from Denmark demonstrated an equal willingness to drive longer distances to save on fuel costs. Specifically, companies interviewed commented that they would consider a route change of more than 100km if fuel were €150 cheaper per 1000 litres.

Finally, because of the current relative high excise duty in Switzerland, a Swiss Union representative acknowledged that they suffered from the current state-of-play. Tank tourism leads to foreign vehicles damaging Swiss road without contributing to their maintenance and Swiss tank stations being disadvantaged.

3.1.2. The automobile industry

The representatives of the automobile industry acknowledge that the current situation is not satisfactory from an internal market perspective. Certain countries might be foregoing tax revenues. Tax variations **between Member States** could also cause a distortion of competition between international and national road transport companies and environmental damage as truck drivers might sometimes make detours to fill up their vehicles in countries with low tax rates.

However, they are not convinced that the magnitude of these problems is such that it warrants a modification of the fuel taxation systems that might, according to them, have potentially serious negative implications for the automobile industry, in particular with respect to the taxation of diesel fuel used by passenger cars, and consequently also for CO₂ emissions⁶.

Since they do not suffer from the current situation, they would prefer to maintain it compared to any of the proposed options.

3.1.3. The petroleum industry and representatives of tank stations

The European representatives of the petroleum industry and tank stations recognize that differences in excise duties play a role in deciding where to locate filling stations. They estimate that the existence of different tax levels for commercial diesel in the Member States favours to a certain extent filling stations located in those Member States where excise duties for commercial diesel are low in comparison to others and therefore favours employment in those filling stations. At the European level, they neither oppose, nor support any of the proposed options. Their main concern is that the tax burden should not to increase.

National representatives of tank stations who participated declared in their overwhelming majority that the current state-of-play is not satisfactory. Generally speaking, representatives of tank stations, at both European and national levels, acknowledge the existence of detours. One respondent assessed them to amount to 50 km on average.

⁶ According to their view, the decoupling would lead to a further increase in the cost of motoring (in case Member States compensate reductions in commercial diesel excise duty by increasing the duty on private cars) and be counterproductive in terms of environment policy, since they anticipate a decrease in diesel consumption and consider diesel cars to be more environmental friendly than gasoline ones).

A German firm stated that it directly witnessed the effects of both the *Ökosteu*er increase before 2003 (through a boom in tanking in their stations located in Austria) and the enlargement in 2004 (with the abolition of the 200 litres import limit, which lead to a decrease of more than 50 % in diesel sales in some locations). In Germany, the budgetary losses in fuel taxation due to tank tourism are estimated to amount to €2.3 billion yearly. It stressed that this gives an idea of the importance of the harm experienced by German tank stations. Some representatives located in high-taxing countries declared themselves ready to develop activities abroad in order to benefit from differences in taxation. Losses in employment are inevitable in tank stations located next to the border of low-taxing countries. Another respondent indicated that German tank stations had already lost 5000 jobs.

3.1.4. Representatives of the railway sector

Representatives of the railway sector in high-taxing countries acknowledge the existence of tank tourism to the benefit of certain road hauliers. They support enhanced harmonization of diesel excise duty but underline the fact that any option should be accompanied by measures to reduce restrictions in competition existing between different transport modes. They therefore welcome the initiative taken by the Commission to undertake a study, within two years (i.e. May 2008) and present a model for the assessment of external costs to serve as the basis for calculating infrastructure charges in all modes.

3.2. Question b. Do you see a need for a full harmonisation (option B)?

Among those respondents from the haulage sector which found the current state-of-play unsatisfactory, a majority, originating in both old and new Member States, indicated support for option B, i.e. full harmonisation of fuel excise duties across Europe. According to a British association, "*all operators irrespective of nationality must face the same level of taxation for the roads they use*".

Nevertheless several expressed doubts concerning the likelihood of achieving political agreement and also considered that the proposed date of 2018 for fuel duty harmonisation was far too long a period for operators to wait, **in view of high numbers of insolvencies likely to occur on certain national markets due to fiscal distortions of competition** (leading to losses in domestic market share). Some also qualified their support on the grounds that the proposed rate for harmonisation (€400 per 1000 litres) was too high.

One international association supported the underlying principle behind option B but with two important qualifications: firstly the proposed harmonised rate of €400 per 1000 litres under option B should be replaced by a rate below €350 per 1000 litres and secondly harmonisation should occur earlier than 2018.

The automobile industry acknowledged that such complete harmonisation would effectively address the concerns expressed by road transport companies and national governments. However, according to them, this option would oblige many Member States to increase their excise duty rates, which would increase the cost of mobility and transport and thus undermine the competitiveness of European industry. Moreover, at least two countries would have to reduce their excise duty rates under this scenario. The automobile industry therefore fears that these countries would want to make up for this

decrease in revenue by raising other taxes including taxes on diesel fuel used by passenger cars, which would have very negative implications for the European automobile industry. Finally, the car industry stresses that diesel technology is of vital importance in reducing CO₂ emissions from road transport. A proposal that would worsen average CO₂ emissions from passenger cars would thus contradict one of the EU's key environmental policy objectives. They therefore do not support this option.

Representatives of tank stations favor total harmonization, if possible within a shorter time period. It would be the best option for them from a competition point of view and the only one that would do away with detours.

3.3. Question c. Do you see a need for an approximation of tax levels on commercial diesel between Member States (option C)?

The haulage sector generally prefers total harmonisation to the implementation of a fluctuation band, since approximation would remain without effect for the transportation enterprises particularly affected by the fiscal distortions of competition.

All the same, many consider that, if it is politically unrealistic to expect full harmonisation, option C might then be considered as a second best alternative or at least as a first step towards full harmonisation provided a reduced time horizon were adopted for its implementation. They appreciate the fact that this solution would rapidly put an end to the most extreme situations. Even representatives of British hauliers would prefer option C, since they do not see the need for total harmonisation.

One association of European movers declared that this option had their preference, considering it a good compromise between all the interests at stake, particularly taking into account the interests of both low and high-taxing countries.

As regards indexation, one national hauliers association thought that this would be a positive development. Nevertheless, other respondents stressed that an indexation was not needed, since it would reduce Member States sovereignty and contribute to increased inflation. A Belgian association underlined that as further increases in crude oil price were inevitable, the possibility of temporarily reducing tax levels should be available to Member States to a greater extent.

European representatives of the petroleum industry oppose indexation for inflation so as not to increase the tax burden. They have otherwise adopted a neutral stand on this option. National representatives of tank stations estimate that this option could be acceptable as a first step towards a full harmonisation in the event that the latter was not politically acceptable.

The automobile industry considers that this option does not seem to be very different from the no-policy-change scenario, since most Member States would not have to change their tax rates very much compared to what is currently set out in the Energy Tax Directive. Nevertheless, as in the case of full harmonisation, two countries would have to reduce their excise duty rates for diesel fuel used by commercial vehicles under this scenario. The automobile industry therefore notes that this option might well lead to the same outcome with regard to the taxation of diesel fuel for passenger cars as under the previous option B. Finally, they consider that the indexation of the excise duty rates is unnecessary, since the fuel price is already correlated to oil price.

3.4. Question d. Which option may best guarantee a level-playing field for all haulage companies? Explain the reason why.

The majority of hauliers indicated their preference for option B (full harmonisation) as the best means of standardising conditions of competition between operators in different Member State. These associations only regard option C as an interim or second-best solution. In contrast, the Polish association favoured option C on its own merits because Member States will retain certain, albeit reduced, flexibility to set appropriate rates for their own industry.

According to a German association, even if option B were implemented, German operators would still face unfair competition from operators outside the EU who command a strong presence on their market. They also refer to the problem of tank tourism undertaken by EU operators who fuel outside the EU before returning to the Community. They therefore suggest that the current optional quantitative restriction of 200 litres for tax-free import of fuel into the EU should be made a uniform mandatory limit throughout the EU. Moreover, they point out that this goal cannot be secured without equally addressing a whole range of other issues such as divergences from social and labour costs to the number of vehicle road worthiness tests required by national law.

The automobile industry acknowledges that option B will be the most effective in relation to fair competition.

3.5. Question e. Do you think that the refund mechanism will increase the administrative costs for road haulage companies?

Both options B and C would require a refund mechanism to be implemented for road transport operators to take advantage of a professional fuel duty rate. Overall, hauliers who responded indicated that administrative costs was a concern, but one which could be minimised. These costs could be limited through the use of modern IT and internet based procedures for reimbursement. They also argue for the establishment of a uniform EU refund mechanism which would provide an uncomplicated procedure without language barriers to users. Polish and French operators also put strong emphasis on the need for a rebate system which would be administered at Member State level but regulated through EU legislation.

Some hauliers noted that differentiating the price for commercial and non-commercial fuel at the point of purchase would remove any administrative burden for operators. It would, however, be strongly opposed by the petroleum industry.

Representatives of the petroleum industry consider that the options outlined should have no impact on costs provided a potential refund system for commercial road transport companies is ran by Member States.

3.6. Question f. Do you think that some of the foreseen options could reduce drivers' working hours? If yes, explain the reason why (fewer route detours, less congestion...).

3.6.1. Congestion

The majority of haulage respondents did not think that there would be any meaningful reduction in congestion as a result of the options. Some associations, nevertheless, agreed that a reduction in congestion might be achieved in some border regions or on specific roads that are heavily used as a result of tank tourism, but that, overall, the effect should not be exaggerated. Although the question was not directly asked in the public consultation, several respondents from the haulage industry spontaneously mentioned that options B and C, by reducing detours, would have a positive impact on the environment.

European representatives of the petroleum industry considered that options B and C might reduce congestion in filling stations located in countries with low excise duty rates and also reduce, to a certain extent, greenhouse gas emissions and emissions of pollutants into the air, because of fewer route detours and less diesel consumption resulting from tax differences.

3.6.2. Working hours

Some hauliers indicated that they did not believe that the proposed options would have any impact on drivers' hours and working time. Others recognised that options B and C, by reducing detours in border regions or to certain destinations, would reduce working hours.

German and French associations maintained that ending tank tourism and consequent detours would result in much-reduced driving hours and working time (which would be particularly appreciated in the Member States currently experiencing a shortage of truck drivers).

National tank stations agreed that drivers' working hours could be reduced, because of the reduction in detours.

3.6.3. Accidents

Many hauliers responded that the potential for a reduction in accidents was either limited or non-existent. However, those members who do perceive tank tourism to be a significant phenomenon do believe that a reduction in truck detours and reduced mileage to obtain cheaper fuel would result in decrease in accidents involving HGVs. One European association representing movers estimated that the reduction in accidents would be mostly felt in areas where tax differentials are greatest.

According to German hauliers, a reduction in accidents could only be achieved through option B and not by option C, which would still leave some possibilities for tank tourism.

One national association also stressed that the existence of tax differences will always lead to dangerous behaviour, particularly through the addition of supplementary tanks in violation of EU regulations. They stress that national controls would have to take place on a regular basis.

Representatives of tank stations from high taxing Member States estimate that options B and C might reduce the number of accidents on certain roads, due to the reduction in detours.

3.7. Question g. Do you think that some of the options could have an impact on employment? If yes, explain how and in which direction (reduction or increase).

Several respondents from different sectors (haulage industry, tank stations, removers) and countries believed that EU-wide, there would be no overall change in the numbers employed in road transport and tank stations but that there might be regional displacement or shifts in employment connected to a more equal distribution of the fuel tax burden across the EU. For the countries currently experiencing a reduction in employment (where taxes are high), options B and C would tend to level out the negative impact of tax differences and, above all, to secure existing jobs.

French hauliers stressed that removing fiscal distortions of competition for fuel would help the sector regain its characteristic role in job creation. Option B would have a bigger positive effect than option C since, according to their calculation, option B would enable French hauliers to compensate for the 2% loss of competitiveness they have experienced due to differences in excise duties, whereas option C would enable them to gain only 0.6% in comparison with the current situation.

UK operators commented that a narrowing of the competitive disadvantage faced by UK haulage firms would support healthy employment within the road transport and logistics sector as companies would be better placed to win more business.

German bus representatives noted that provided that the tax reduction in Germany is not compensated by an increase in crude oil prices, the employment in passenger transport could remain stable.

One European association stated that options B and C would help improve employment levels in all States, as competition becomes fairer and costs/planning become more stable and predictable.

3.8. Question h. Do you think that some of the foreseen options could reduce the number of diesel consumers? If yes, explain the reason why.

The reality for the road transport industry is that it is dependent for the foreseeable future on diesel fuel. Increases in fuel duty would not reduce their consumption of diesel but simply force the industry to absorb the costs that they were unable to pass on to their clients. This point was clearly echoed by all other respondents to the questionnaire.

For countries with high rates of fuel duty the result of harmonisation or narrowing the differences in taxation between Member State levels would result in a repatriation of diesel sales rather than any overall decrease. For example, operators which customarily fuel outside a country with higher fuel duties before entering it would begin to purchase fuel in that country to avoid the penalties of a lower payload and poorer cash flow from operating with a full fuel tank. There would therefore be shift in consumption between the Member States according to their respective diesel prices.

Beside this direct effect, a German association estimated that diesel fuel consumption and associated emissions could be reduced because of the decrease in tank tourism. Finally, few hauliers said that options B and C might lead to a decrease in private diesel consumption.

Some representatives of car users underlined that lorries are an environmentally damaging form of transport. Since, according to them, the cost of fuel is the most effective way of changing volume of usage, any option that would represent a real terms reduction in the overall taxation (that is to say both options B and C2) would be unacceptable. This would also result in an increase in pollution, a failure to meet the EU's environmental targets.

Representatives of European tank stations estimated that options B and C might decrease diesel consumption in the countries that have to increase their excise duties to the benefit of currently high taxing ones.

3.9. Question i. Do you think that some of the foreseen options will have consequences in terms of production of and/or demand for biodiesel? Explain the reason why.

Some haulage respondents clearly linked a higher price for diesel with greater demand for biodiesel. Options B and C could therefore favour bio diesel consumption, except in Germany and in the United Kingdom.

However, these reactions were supplemented by comments from some members who saw other issues as being of greater consequence for the use of biodiesel, such as price and availability, and therefore estimated that neither option would impact biodiesel consumption. In the UK biodiesel is limited to a 5% blend in diesel fuels. Blends above 5% would currently invalidate vehicle manufacturer guarantees. In France national law only permits the use of biodiesel in heavy agricultural vehicles. Solid growth in biofuels is dependent on the EU setting a harmonised regulatory framework that would establish standard rules for its use and measures that would prevent new distortions of competition being created, particularly in terms of its taxation.

Representatives of the petroleum industry noted that the lower the excise, the lower the potential tax incentive for biofuels in those Member States where biofuels are promoted by tax incentives. The evolution of diesel excise duty could therefore potentially have an impact on the consumption of bio diesel (e.g. more in countries increasing diesel excise duties).

3.10. Question j. Do you have any further observations you would like to add?

3.10.1. Decoupling and definition of commercial diesel

1.2.1. The principle of uncoupling

All hauliers support the decoupling of commercial and non-commercial diesel, on the basis of the commercial road transport sectors importance within the economy. They think it would be a valuable tool for policy makers to be able to differentiate between commercial and non-commercial users so that measures aimed at private car use do not impact on the economically important commercial road transport sector. A lower rate should be applied to commercial fuel. The passenger transport representatives estimate that such a step would provide a boost to collective passenger transport and the financial

sustainability of passenger transport companies which in turn would reduce congestion and environmental damage by getting more motorists out of their cars.

Other respondents opposed the decoupling. The petroleum industry does not particularly favour decoupling. According to their representatives, all hydrocarbons should be treated the same way according to their energy content.

One international automobile consumer association, although welcoming a harmonization in the field of fuel taxation, expressed concern about the intention of the Commission to address the commercial use of diesel exclusively, as this would probably lead to tax differentiation between commercial and private purposes. They stress that tank tourism affects all types of vehicles covering long distances and crossing borders. They would therefore prefer the current situation with equal taxation of diesel fuel to the proposed options. The only option they would favor would be a harmonization in the field of fuel taxation for diesel and petrol fuel independently from the use, commercial or otherwise.

German companies involved in handcraft, although they recognize the existence of tank tourism and its negative consequences on environment, prefer the no policy change scenario since they fear that a decrease in commercial diesel excise duty will be compensated by an increase in non-commercial diesel duty. Since the majority of handcraft manufacturers mostly use vehicles of less than 7.5 tonnes, they would be penalized by any differentiation for the benefit of a small minority.

1.2.2. Definition of commercial diesel

The automobile industry notes that the current definition of a "commercial vehicle" used in the Energy Tax Directive excludes vans and light trucks below 7.5 tonnes even though such vehicles are typically used for commercial purposes.

Some haulage associations stressed that vehicles between 3.5 and 7.5 tonnes play a substantial, if lesser, role in international road transport. This is reflected by the threshold applied in some community regulations, notably EU Driving and Rest Time Rules and the Sectoral Working Time Directive. They fear that the introduction of a professional fuel duty level which excluded vehicles below 7.5 tonnes could well cause a migration to heavier vehicles both for national and international traffic as operators sought to benefit from the new professional duty levels. According to some stakeholders, all commercial vehicles, i.e. all vehicles used to transport goods on behalf of third parties, coaches and (for one association) taxis should be covered by the proposal.

3.10.2. Modal shift

Road transport accounts for 76% of overland goods distribution within the EU. The haulage industry emphasise that road transport is the mode of choice because of its unparalleled flexibility, quality of service and efficiency. Changes proposed in the field of fiscal taxation will have a negligible impact if any on the modal share between road transport and other modes.

A study undertaken by TransCare, a consultancy specialising in the transport of goods by rail, found that 70% of the volume of goods transported by road did not depend on the cost of transport. Under these conditions, only 1,22% of the volume currently transported by road could potentially be transferred to rail by increasing road tolls. And even then, it would be necessary to increase the price of road transport by EUR 1 per vehicle-km. It

would, therefore, only be a significant improvement in the quality of rail services that would encourage customers to forsake road for rail. Therefore, even under a comprehensive harmonisation, only a very small modal shift if any is likely.

The situation is however different for the passenger transport, where intermodal competition plays a more important role. German bus representatives therefore stated that if diesel fuel prices do not go down, a modal shift to the benefit of aviation (which is not subject to fuel taxation and which has additional opportunities to bunker fuel bought at the cheapest rates) and railway would take place in the long term.

3.10.3. Consistency with other EU policies

In the view of the automobile industry, the taxation of fuel for commercial vehicles cannot be seen in isolation neither from the taxation of fuel for passenger cars, or from the taxation of the vehicles themselves. As a matter of principle, they declare themselves very much in favour of further harmonisation of motor vehicle and fuel taxation at EU level. In particular, they believe that a CO₂ based taxation of passenger cars and alternative fuels is indispensable if Europe is to reduce CO₂ emissions from road transport further.

Several hauliers association considered that a coherent European strategy on different pricing instruments for road use – including excise duties – is urgently required. They maintain that different Member States are currently considering and implementing various pricing instruments but that a comprehensive policy approach towards the interrelationship of ‘excise duties and other instruments such as road taxes, Eurovignette and kilometre charge’ is still missing. With the spread of national distance based road charging systems across the EU, they claim that commercial road transport industry must not be subject to double-taxation for road use. They therefore welcome the initiative taken by the Commission to undertake a study, within two years (i.e. May 2008) and present a model for the assessment of external costs to serve as the basis for calculating infrastructure charges in all modes.

Annex – Respondent Data

RESPONDENTS

Associations / Organisations of haulage sector	27
Associations / Organisations of automobile industry	3
Associations / Organisations of petroleum industry or tank stations	6
Other Associations / Organisations	8
Business Respondents	7
Individual Respondents	1
Total Number of Respondent	52

ORGANISATIONS

Responses from International Organisations	2
Responses from EU Organisations	5
Responses from National Organisations	37
Austria	2
Belgium	4
Czech Republic	1
Germany	11
Danemark	1
Estonia	1
France	4
Hungary	1
Italy	2
Netherlands	1
Poland	1
Spain	2
Sweden	1
United Kingdom	4
Switzerland	1

BUSINESS

Origin of Submissions from Businesses	7
Germany	4
Hungary	1
Sweden	1
United Kingdom	1

