

## Measure 1: Harmonise clauses in commercial road transport contracts

### **First page:**

<p><i>Policy package:</i> <b>IC:</b> Road Pricing, taxation and financing</p>
<p><i>Measure 1:</i> Harmonise the minimum clauses in contracts governing transport activity in order to allow tariffs to be revised should costs increase (e.g. a fuel price rise).</p>
<p><i>What is the problem being addressed ?</i> The harmonization of the minimum clauses in road transport contracts is addressing freight transport, and especially the commercial road transport. According to the White Paper, the "harmonisation of transport contract minimum clauses regarding the passing on of costs should help protect carriers from pressure from consignors. In particular, transport contracts should include clauses allowing, for example, revision of tariffs in the event of a sharp rise in fuel prices. It must not be forgotten that, as the dominant mode, it is road transport which sets the price of transport. In the circumstances, it tends to keep prices down, to the detriment of the other modes, which are less adaptable." If fuel prices increase road transport firms will be able to pass the increases on to shippers thanks to the new contractual clauses. In this way the profitability of lorry companies will not be reduced too much by the rise in prices and prices of road transport will increase.</p>
<p><i>Measure's costs and/or benefits:</i> The implementation costs of this measure cannot be estimated. A concrete implementation plan, which is normally part of a proposal directive or something similar does not exist and must be the basis for the documentation of the measure's costs.</p>
<p><i>Legislative implementation at the EU level:</i> At the moment a proposal is in preparation at the Commission, which has the goal to harmonize the minimum clauses in contracts governing transport activities. The discussion is still ongoing on the European level and no concrete implementation guidelines are existing on the European and on the Member State level.</p>
<p><i>What are the objectives ?</i> The measure should improve the situation of road haulers, making more clear and transparent the enforcement of contractual clauses. Together with the other measures aiming to improve the quality of road commercial transport, the ultimate aim is to rationalise this sector, making in particular the road pricing setting more equitable in relation to other modes, and controlling by this way the growth in international road freight, with a potential reduction of road congestion. At the moment it is difficult to assess the objective achievement. The situation in 2000 with high increases in fuel prices showed that the economic risk related to uncertainty about future fuel costs, while formally borne by road haulers, was de fact partly borne by governments (and thus taxpayers) due to the strong political pressure the sector was able to exert on policy makers. The core objective behind this measure is therefore essentially to transfer the economic risk related to uncertainty about future fuel costs from road haulers and taxpayers to the users of commercial road transport. Provided that the final users will not be able to exert similar pressure in similar circumstance, this could help making road transport users bear its true costs.</p>
<p><i>Interactions with other WP measures:</i> There is a link with the measure 57 Infrastructure Charging, which intends to make the tax system more consistent by proposing uniform taxation for commercial road transport fuel by the end of 2003 to round off the internal market. The effect of increasing fuel prices for commercial road transport could be attenuated with this measure.</p>

## Second page:

### *Output indicators:*

The output of this measure can be documented through an analysis of the transport prices. But for currently it seems not possible to get knowledge about this the specific effect of harmonisation of contract clauses on this indicator.

### *Outcome indicators: intermediate impacts on transport markets:*

The measure can have impacts on market variables such as:

- Profitability of road transport haulers;
- Structure of the market: number of SMEs and their share on the total road commercial transport sector;
- Number of firms in bankrupt as a consequence of oil price increases.

The implementation of this measure could lead also to an increase of prices for commercial road transport due to increasing fuel prices. The influence on the market changes through are positive and support the modal shift from road to rail. The positive effect can only be reached in combination with the implementation of other measures, which have the same objective. The documentation of the market change can be done by the analysis of the changes in taxation levels and changes in price levels. Probably the profitability of lorry companies will not be reduced so much, because the rise in fuel prices will lead to an increase of road transport prices (compensation of both effects). But up to now no statistics exist containing the necessary information about road commercial operators cost.

What is known is the general trend of transport prices, and in particular the real change in passenger and freight transport prices by mode. On average, passenger transport prices have increased at a higher rate than consumer prices in the period 1995 – 2000. In three countries (Denmark, Italy and Luxembourg) the opposite has occurred. For freight transport prices, no EU-wide data exists, but a Dutch example shows that the prices of road, rail and inland waterway transport have decreased by 34%, 45% and 52% respectively over the period 1980 – 2000. It is interesting to note that, despite the relative price increase of road transport compare to that of the other modes, the market share of road transport increased, probably due to the increased quality of road transport which became faster during the past two decades, primarily due to motorway construction (EEA TERM).

### *Outcome indicators: final impacts on transport users and non users*

A possible final outcome is the reduction of congestion due to the shift of freight transport from road to other modes, and the related consequences in terms of travel time savings, emissions and reduced accidents.

However, at least as it concerns emissions, it must be remembered that road freight transport emits almost equal quantities of NO<sub>x</sub> as diesel freight trains. The introduction of PM traps in trucks will, to a large extent, even further reduce specific PM emission. The specific emission of other pollutants (CO, VOC, SO<sub>2</sub>) show more or less the same picture, i.e. EURO II trucks can to a large extent compete with diesel trains in terms of emissions per tonne-kilometre. Shifting freight transport from road to rail – one of the pillars of the White Paper and the desired outcome of several other measures presented in this report (e.g. measure 6, 7, 14 aiming to revitalise rail freight transport) – without improving the environmental performance of diesels trains might therefore have an adverse effect on transport emissions (TERM 2001 – Emissions per pkm and tkm for air pollutants by mode fact sheet).

Apart from emissions of air pollutants, the impact of shifting freight transport to rail on the number of people affected by noise should also be monitored (see Measure 15).