



# Towards a Global and Sustainable Approach to Road Funding

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# The European Context (1/2)



- 🌐 The last two years of the Prodi Commission saw a surge in strategic proposals to boost public investment in transport infrastructure and complete the Trans-European Transport Network (TEN-T),
- 🌐 Only 20% of “specific projects » adopted in 1996 have been completed. In 2003, the Commission adopted a revision of the TEN-T: EUR 600 bn of investment needed (including EUR 220 bn on 30 “priority projects”).



## A contrasted situation:

- Public expenditure in transport infrastructure has dwindled to less than 1% of GDP.
- Europe’s 15 Member States collectively raise EUR 340 billion in vehicle related taxes every year.

# The European Context (2/2)



- 🌐 To finance these projects, the European Commission has identified three pillars of funding:
  - ✓ Increased Community participation (30% of project costs)
  - ✓ Greater mobilisation of private capital through PPP schemes
  - ✓ Road user charges
- 🌐 However:
  - Annual TEN budget = EUR 600 million
  - Realistic hopes for private capital funding are estimated at 20%
  - It is increasingly clear that these investment choices will be paid for through increased road user charges.
- 🌐 The revised Eurovignette directive is a clear illustration of this misguided trend. The continuing deadlock within the Transport Council is an indication that the Barroso Commission must consider a fresh start to the question of road funding, including road user charges.

# A new approach To road financing (1/4)



Constructive road financing proposals must respect some basic rules:

- They are efficient
- They are relevant to transport policy objectives
- They do not lead to a fall in public revenues
- They ensure fairness
- They ensure an optimal use of resources
- They are durable over time
- They do not distort competition
- They are compatible with European policy
- They accommodate the legacy of the past

# A new approach To road financing (2/4)



- 🌐 Today: "free" infrastructure (paid for by the taxpayers) vs. tolled infrastructure (paid for by the users)
- 🌐 Tomorrow: "free" services and "tolled" services. The road infrastructure itself becomes a neutral element which takes on a different value according to its use.
- 🌐 Roads provide different services:
  - ✓ "private" service
  - ✓ "public" service, covering road uses directly related to elementary needs, territorial considerations, and certain basic individual mobility rights.

Roads	Free	Tolled
Use	Public	Private
Funding	Taxes	Charges

# A new approach To road financing (3/4)



- 🌐 Most of the local and regional road network would therefore be funded from the public purse while the national network and motorways, considered as private usage, would be paid for on a pay-per-use basis beyond an annual mileage allowance.

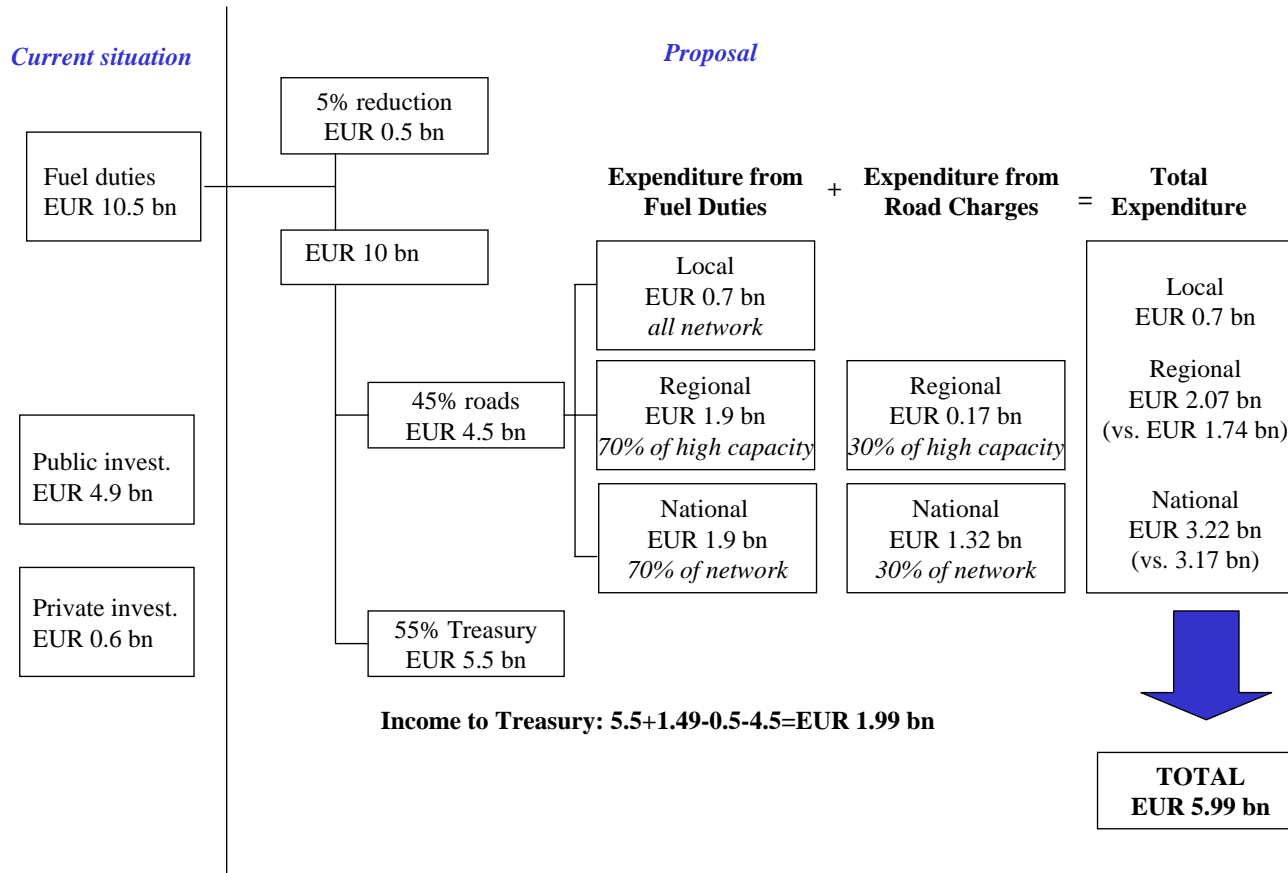
Road Type	Source of Funding
Local / Urban	Annual circulation tax
Regional	Partly fuel duties Partly road user charges
Interurban / Motorways	Road user charges

- 🌐 Two accompanying measures are forecast:
  - ✓ individual mobility voucher
  - ✓ reduction in level of fuel duties

# A new approach To road financing (4/4)



## Case Study: Spanish Road Network



# Concluding Remarks



- 🌐 Our proposal has demonstrated that:
  - ✓ It is possible to stabilise and redistribute road investment in a fairer manner,
  - ✓ It is possible to reduce fuel duties and still increase the level of investment in roads and the quality of service offered to motorists,
  - ✓ The loss in income on tolled roads through the annual voucher is more than compensated by the new income on non-tolled roads,
  - ✓ The scheme will encourage private investment into road infrastructure by decreasing uncertainty concerning traffic levels,
  - ✓ The system is compatible with different political options and makes the best use of the GALILEO satellite programme.
  
- 🌐 Our proposal is one of several pricing alternatives but should provide food for thought to the Barroso Commission if it chooses a fresh start to the question of road funding.



# Thank You For Your Attention



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