



# Pricing in Practice: the Commission's policy and approach

Tom Howes

“Transport Policy Initiator” (apparently)

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# The policy:

- “competing” economic doctrines available
  - The Commission, not always a bastion of intellectualism earning the universal respect of European academia, actually adopted one:
- 1995 Green Paper on fair and efficient pricing
  - economic assessment of transport policy
    - marginal social cost pricing, polluter pays principle



# Pragmatic step 1:

- 1998 White Paper
  - elaborates on the need for harmonised charging principles across Member States, to reduce distortions to the single market;
  - emphasises the need to apply common charging principles to all modes of transport to correct for market failures (external costs, imperfect competition)



- 1998 White Paper
  - established principle of short run marginal social cost pricing *AND* accommodated institutional financial constraints by acknowledging the need for two part tariff/ cost recovery strategies for infrastructure terminals and some new infrastructure



# \$64000 (73.134,50 €) Question:

- Just what are marginal social costs?
    - “...marginal costs can vary every minute, with different transport users, at different times, in different conditions and in different places... a degree of approximation and averaging is necessary to develop understandable, practical charging structures...[they] may at times merely reflect an average of variable costs...”
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## Pragmatic step 2:

- 1999 High Level Group reports
  - summarising the degree of consensus surrounding cost estimation techniques, offering guidance on good practice
  - identifying appropriate instruments for implementing the policy (2nd, 3rd best?)



## Pragmatic step3:

- Directive 2001/14 - rail charges
- 2001 White Paper on the Common Transport Policy
  - Jargon free; focus on modal shift
  - Revision of Eurovignette Directive
  - framework directive on pricing, requiring transparent “cost based” charges in all Member States for all modes of transport



## Parallel activities

- PETS/CAPRI →→UNITE
  - Committee of Government Experts and Member State pilot studies
    - Netherlands, Sweden, Finland, UK
      - Portugal, Spain, Austria
    - Commission studies: navigation/en route charges, Desire, Progress, Civitas, MC-icam, Imprint, costs study
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# The results of pragmatism:

- Convergence of theory with policy:
  - internalisation of external costs, revenue neutral/infrastructure financing →→ “managing demand; modal shift; non road infrastructure investment”
  - still using charges as a tool to reduce congestion and pollution and to finance investments



# Conclusion

- Ongoing reform of existing charging regimes
- New White Paper re-emphasises the role of charging in reducing congestion and pollution and financing new infrastructure
- existing and new directives require cost based charges
- increasing and legal requirement for the cost data being produced by UNITE and related projects