

# We need to make road finance fit for Europe

The German hotchpotch system is one of the reasons for the toll problem - Four basic questions on the toll -

BY GERHARD P. METSCHIES

## 1. Why wasn't the problem detected earlier, and how could it have been avoided?

The German Federal Ministry of Transport, Building and Housing (BMVBW) may well concede that the political toll storm gathering over Germany has built up gradually over recent years and (due to disregard of the Ministry's scientific advisory committee) that the Ministry itself is to blame - if it does not manage to place the blame at the door of the Federal Ministry of Finance or some possibly incompetent industrial lobby.

The troubles with the motorway toll could have been averted, though, if those responsible in the Federal Chancellery and the ministries had taken a look across the German borders or just read the stock exchange reports in the newspaper, where they would find the registered Italian motorway company AUTOSTRADE and information about the bonds listed by the Austrian road finance firm ASFINAG, both showcase enterprises that have no problems with Brussels.

## 2. Why didn't we follow the example set by the Italians and Austrians instead of continuing to pay for long-distance roadways from the national budget; and who decided this?

It was a fatal double step that led to the present situation in Germany. This culminated in a deliberately 'political' decision for the present toll law, which has three aims at the same time - to raise funds for motorway repair, but also to finance subsidies for rail (and shipping), and not least also to raise additional funds for the general national budget.

Consequently, Germany has no private-law road finance company, only an infrastructure finance company under public law, which is in fact used simply as a special fund by the Ministry of Finance.

The path to this decision had already been laid in an initial step seven years ago, when the consulting firm Roland Berger drafted alternative proposals for roadway finance not only in Germany, but also in Italy. (More or less the same set of proposals comprising six options, listed from a to f.)

At that time the German ministerial bureaucrats chose only the two marginal proposals, i.e. the (still so-called) A and F model, which together make up less than five per cent of the total volume of all long-distance traffic.

Italy in contrast selected from the B, C, D and E models the core, the foundation of a national road stock corporation, the AUTOSTRADE, that finances itself through the stock exchange.

## 3. What makes German toll law so anti-Europe that the EU Commission sees itself obliged to impose a veto?

This is all about the essentials of European transport policy (which were hard enough to work out in the first place), particularly the responsible party principle, which has long applied in environment policy and states that whoever causes damage and costs, heavy-goods vehicles for example, must also pay for them; and conversely the tied funds principle: whoever pays for the roads must also get roads in return.

In addition Brussels has set up three separate taxation pillars specially for road traffic: taxes on fuel, on heavy-goods vehicles (annual) and on road use that are not generally - in all EU countries - mutually deductible. Taxation on road use, however, is levied either as an annual charge (like the Eurovignette so far) or as pay-to-use road charges (like the planned German toll).

The special thing about the present situation is that for all kinds of reasons the European countries - unlike the USA - have probably missed the chance to use fuel and motor-vehicle taxes for road finance for ever, and that the toll is the third and last chance for Europe to introduce the responsible party principle in transport, before - like pension, unemployment and social insurance - the vital roadways sink into the general mire of the approaching national bankruptcy.

These are the general benchmarks for assessing the combination and hotchpotch model Germany has chosen (as an instrument for allocating state subsidies in infrastructure) and indeed for condemning it in its long-term and incentive effect.

The current controversial diesel tax rebate envisaged as an additional concession to German haulage operators was then only the final drop to burst the barrel in Brussels.

## 4. What compromises are on the horizon and how can we keep future trouble with Brussels to a minimum?

The Italian EU President Prodi in particular will probably abide by the precept of government in ancient Rome, *suaviter in modo, fortiter in re*, (flexible in method but firm in principle). And that is a good thing. It means that the German side should basically come around to the 'European' approach, but will be given concessions in practice in the shape of interim arrangements. A possible compromise, therefore, could look like this:

a) Brussels recognizes Germany's current financial crisis and leaves the present unacceptable solution standing - minus a diesel rebate clause - for a degressive interim period of five years at most.



Busy traffic at the St. Michael tollhouse near Salzburg

b) Germany accepts the Brussels road finance principles and in a maximum of five years undertakes to convert the present system - with only provisional status - into a Europe-compatible solution with the following cornerstones:

1. Foundation of a long-distance road finance company (liable to VAT, with private-sector balance-sheet accountability and negotiable on the stock exchange)
2. Pricing long-distance road use based on cost-effective tied funding
3. Electronic toll calculation without hindering traffic flow under a system compatible for the whole of Europe with only one standard metering box (on-board unit)
4. Overall outcome: In the short term, Germany with its financial problems would have won, but in the long term Europe would gain a road system that it can sustain financially. Horse-trading, true, but what more do you want? Somehow we have to pull the horse out of the mud - without letting it slip back in.

(translation by gtz)

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