

## Day 2

### The Netherlands: Progress Toward a National Road Pricing System

MARIAN JONGMAN, *Strategy Director Road Pricing Project, The Netherlands*

---

#### Road Pricing in the Netherland: Lessons Learned

Marian Jongman: The Netherlands is facing increasing congestion. Pricing has been attempted 6 times since 1988 and is currently being developed as a kilometer charge. However, the cabinet is not currently able to make decisions due to the withdrawal of one party. Revenue generation has never been a primary purpose of previous Dutch road pricing attempts. The primary goal is always congestion reduction. All parties have sought to implement, not just one. Opposition is currently for political reasons.

Several alternatives were investigated, including:

- Congestion charge at busy times and places – This would be the best overall system for congestion reduction.
- Payment per kilometer for heavy goods
- Fuel tax increase – The main problem with a fuel tax is the border with Germany. It is too easy for motorists to avoid the fee increase by purchasing fuels in Germany.
- Payment per kilometer with a rush-hour surcharge

Previous attempts at implementing pricing have failed due to a lack of support amongst stakeholders. The ministers implementing the current configuration decided to approach opponents, starting with a motorcycle organization, to generate support.

The guiding principles for the system are as follows:

- Taxing vehicle use as opposed to vehicle ownership
- Pricing throughout the Netherlands, even if driving does not occur on roads
- Fee is assessed at a basic rate per kilometer that is differentiated according to environmental characteristics (such as CO2 emissions).
- A rush-hour surcharge for periods of high congestion
- Utilization of satellite technology
- Motor vehicle tax, provincial surcharges and purchase tax to be abolished
- Revenue from road pricing will go to the Infrastructure Fund (maintenance, new construction, public transport, etc.) – There is no opposition in the Netherlands to funding transit and railroad systems with fee revenues derived from motor vehicles.

There are several aspects to the pricing system, the first of which is the on-board unit (OBU). The OBUs are based on “open sources” and it is hoped that they can be combined with other road based services. Travel reporting, invoicing and collections account for the next phases. The last phase is enforcement, which will always be handled by the government as private enterprise is barred from such activities. There are essentially two tracks: The low tech “guarantee” track and the more technologically advanced “main” or “market-based” track. The first step in system development was to open the market by setting specifications that would fulfill system goals.

### **System Overview**

Messages are sent to system provider on an intermittent basis. It does not matter which track this occurs on. The system provider gives the user a bill.

### **Cost**

Implementation	3.8 billion
Exploitation	1.8 billion (during scaling-up period)
<b>Total</b>	<b>5.6 billion</b>

It is not known yet what the cost of the private back office will be, but the system does not cost much compared to other European systems. It is hoped that administrative costs can be kept at around 5 percent. The government will be paying for the first round of OBUs, which will be a substantial cost. The Netherlands is currently in crisis along with other European nations, and it is believed the new government will reconsider whether it will pay for these units. It is believed that the presence of added services will encourage people to purchase an OBU on their own. The system will need to cover about 9 million vehicles, 1 million of which will be trucks, lorries, busses and other special vehicles.

### **Current State of Affairs**

On March 11th, the house declared that the Different Payment for Mobility project was “controversial” and, as a consequence, the Minister of Transport, Public Affairs and Water Management has given instructions to:

- Not undertake any new financial obligations in relation to the project;
- Reduce the project organization;
- Suspend the process of tendering and certification; and
- Discontinue preparations for the intended roll-out of the system.

The Netherlands will continue to work on other mobility projects and international projects such as the EETS.

The Ministerie van Verkeer en Waterstaat has learned to work in steps of three years due to the typical length of time cabinets stay together, which presents a problem for system development. Most of the parties involved want to continue road pricing. Not listening to stakeholders has resulted in failure of

previous attempts at road pricing. However, the Netherlands is attempting to incorporate all stakeholder concerns in the current system, which has resulted in the system being very complex.

### Lessons learned -

- Societal support is key driver
- Political Ambition versus Realistic Planning – The cabinet wanted to implement this system by 2012 but politics precluded a realistic time table. Without that pressure it is not believed that the guaranteed track would have been pursued and the Netherlands would have gone with the market approach.
- Parallel versus serial planning
- KISS: Keep It Simple (difficult enough) and Stupid – This way all users can understand the system.
- Think backwards: exploitation, expand, test, build, develop and incorporate (virtual, if necessary) corresponding stakeholders during all steps in project development.
- Keep to basic principles: paying for use, revenue neutrality and allocating revenues to infrastructure. A poll was conducted showing that 63 percent of respondents favored taxing use of vehicles not ownership of vehicles. Furthermore, many believed that they are currently paying twice: once through vehicle registration and again through use taxes.
- Communication strategy - Focus on a clear message as to why the system is necessary. Ministers have been asked to speak out on numerous occasions because the only information getting out to the public about the system is from media outlets that are generally opposed to the pricing system.

### Audience Questions

Has the Netherlands considered not applying registration fees to people who have already paid and then charge only the mileage fee moving forward?

*Jongman-The system was developed too technically with the only consideration being the number of vehicles. It was assumed that vehicles would turnover .In this system, money goes to the minister of finance and they want their money every year. There are some insurance companies that want pricing but will not invest in the system. Furthermore, everyone is doing their own thing in project development and there is not a lot of communication.*

As a new governmental coalition takes place, how will you advise them on simplifying the system?

*Jongman-The problem is not with the km fee... it is with congestion pricing and privacy. If we could have an OBU based only on kilometers and not rely on location for congestion pricing then it would be more acceptable. However, we are not sure how the government will want to move.*

What happens to the money and the concept of revenue neutrality? If money goes into the infrastructure fund, then it seems that road users are paying for expensive public transportation. This

does not seem like revenue neutrality. Would it not be simpler to put money into a road fund as opposed to an infrastructure fund (IF) and then people would feel that they are paying for and getting something?

*Jongman-At this moment there is no acceptance issue with regards to putting money into the IF and transit. Maybe that will change but it is not an issue right now. And when we talk about revenue neutrality we are talking about neutrality in terms of the km charge. Before money was going into schools and other non-infrastructure items but now it is going into transportation infrastructure. The current laws say that we charge about 6.3 cents but we only need about 5, so we are getting more than we need.*

What benefits are being advertised to the public and what is their acceptance?

*Jongman-It depends on who you are. We think that drivers will drive less because of the charge, so for a business they will see benefits from reduced congestion from fewer drivers. Most individual drivers already drive less and will now pay less as a result of their reduced driving.*

I understand that operating costs are not to exceed 5 percent of revenues, but what we have seen is that significant funds have to be spent on the front end to get it up and working. Is there a schedule for meeting that 5 %?

*Jongman-Yes. We think we need about three years to change the pricing system and about 5 years to change the taxing system. By 2020 I expect we will reach the 5% operating cost.*