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Subject:	COMMISSION STAFF WORKING DOCUMENT Impact Assessment Accompanying the document Proposal for a Directive of the European Parliament and of the Council amending Directive 2006/1/EC on the use of vehicles hired without drivers for the carriage of goods by road

Delegations will find attached document SWD(2017) 196 final.

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COMMISSION STAFF WORKING DOCUMENT

Impact Assessment

Accompanying the document

Proposal for a Directive of the European Parliament and of the Council

amending Directive 2006/1/EC on the use of vehicles hired without drivers for the carriage of goods by road

{COM(2017) 282 final}
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1. Introduction

This impact assessment accompanies a legislative proposal that revises Directive 2006/1/EC on the use of vehicles hired without drivers for the carriage of goods by road (henceforth "the Directive").[1] The initiative is part of the Commission's Regulatory Fitness and Performance (REFIT) programme that aims at making EU laws simpler and less costly.[2] It thus aims at clarifying the legal framework for the use of hired vehicles in the EU and at reducing the costs of transport operators using such vehicles in the internal market.

This initiative is also part of a broader set of measures to overhaul the legislative framework governing the road transport market in the EU.[3] Together with the other initiatives, it aims at making this legislative framework fit for the 2020s (and beyond) by addressing current concerns of stakeholders, removing shortcomings of the existing legislation and simplifying the legal provisions with a view to facilitating their implementation and enforcement.

The Directive is closely related to the rules concerning access to the profession of road transport operator[4] and those for access to the international road haulage market[5]. All three legal acts together provide the legal framework in which road hauliers in the EU operate. Hired goods vehicles allow meeting one of the conditions for stable establishment of a transport operator (which is one of the requirements for access to the profession of road transport operator) and the holder of a Community licence is entitled to a certified copy of the licence also for each hired vehicle at its disposal (hired vehicles hence provide access to the international road haulage market) There are also direct cross-references between the legal acts.[6]

As the other two legal acts are subject to a parallel REFIT initiative[7], a suitable framework for the revision of the Directive is being provided. The implementation and enforcement of all three legal acts is in most cases subject to the same operation. Due to the interlinkages between the legal acts, their respective revision in one package of measures ensures coherence between the rules. Moreover, the adoption of the road initiatives in 2017 provides a window of opportunities to address the shortcomings of the Directive that have been identified in the ex-post evaluation and that are described in more detail in the following chapter.

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1 OJ L 33, 4.2.2006, p. 82.

2 It is mentioned as REFIT initiative n° 13 in Annex 2 to the Commission Work Programme 2017; COM(2016) 710 final of 25.10.2016; https://ec.europa.eu/info/file/35145/download_en?token=1iw9fPpk

3 An overview of these initiatives and the expected synergies between them is provided in Annex 6.

4 Regulation (EC) No 1071/2009, OJ L 300, 14.11.2009, p. 51.

5 Regulation (EC) No 1072/2009, OJ L 300, 14.11.2009, p. 72.

6 See, for instance, Article 1(5)(d)(iv) of Regulation (EC) No 1072/2009.

7 Cf. initiative n° 10 in Annex 2 to the Commission Work Programme 2017.

2. PROBLEM DEFINITION

2.1. CONTEXT

The creation of the Single Market has allowed the European economy to prosper and to reap the benefits of economic integration. It has greatly increased the productivity and competitiveness of the European economy. However, the internal market is still far from being completed, in particular in services. This is not a "theological" issue: it is a practical one - there are still too many obstacles and barriers which hamper businesses and which burden them with unnecessary bureaucracy. Upgrading and deepening the Single Market is therefore one of the core priorities of the Commission.[8]

One area in which the Single Market has not yet been completed is the use of hired vehicles. Here, Member States can still restrict the use of hired vehicles in certain market segments and under certain conditions. A 'hired vehicle' means "any vehicle which, for remuneration and for a determined period, is put at the disposal of an undertaking which engages in the carriage of goods by road for hire and reward or for its own account on the basis of a contract with the undertaking which makes the vehicles available."[9]

Vehicle hiring can take a number of forms ranging from (predominantly short-term) "renting" to (predominantly long-term) "leasing" (in some cases of which the vehicle in question even appears on the balance sheet of the lessee).[10] Goods vehicles are typically rented to meet temporary or seasonal demand peaks or to replace defective vehicles. The leasing of goods vehicles allows operators to better manage their cash flows as they do not have to pay the full purchase price upfront when acquiring a vehicle. Hiring and leasing of goods vehicles thus provides more flexibility to operators and allows them to lower their costs and increase their productivity.

Increasing the efficiency and competitiveness of the road transport sector has been a priority of the common transport policy of the European Union for some time. Efficient transport is vital in making the European economy as a whole more competitive.[11] It is therefore important to remove any unnecessary restrictions which prevent transport operators carrying goods either on own account or for hire and reward from operating efficiently across the EU.

According to information provided by the leasing industry and official statistics, almost 10% of all goods vehicles in the EU are currently rented or leased (some 3.5 million out of a total of 36 million vehicles in 2014). The share of rented or leased vehicles is somewhat higher among heavy goods vehicles (those with a maximum mass above 3.5 tonnes): here, roughly 1 million out of 6 million vehicles (i.e. around 16%) are subject to a renting or leasing contract. Among light commercial vehicles (goods vehicles with a maximum mass up to 3.5 tonnes), the share of rented or leased vehicles is only half as high: 2.5 out of 30 million light commercial vehicles in the EU (i.e. some 8%) are estimated to be rented or leased.[12]

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[8] See also COM(2015) 550 final of 28.10.2015.

[9] See Article 1 lit (b) of Directive 2006/1/EC.

[10] An overview of various types of renting and leasing is provided in Table 2 below.

[11] See, for instance, WHITE PAPER. Roadmap to a Single European Transport Area - Towards a competitive and resource efficient transport system. COM(2011) 144 final of 28.3.2011.

[12] See also Ex-post evaluation of Directive 2006/1/EC on the use of vehicles hired without drivers for the carriage of goods. Final report, SWD(2017)xxx.

The leasing industry estimates that the share of rented or leased vehicles among newly registered heavy goods vehicles is at least 40%. At the beginning of their lifetime, many goods vehicles are subject to some rental or leasing scheme - some of which have been defined precisely to promote the introduction of new vehicles and new technologies in the market. After some years, most of them switch into ownership. Restricting the use of hired vehicles hence also hinders the market uptake of new vehicles and new technologies.

2.1.1 LEGAL BACKGROUND

The legislative framework governing the use of hired goods vehicles in the EU is provided by Directive 2006/1/EC, which is a codification of Council Directive 84/647/EEC[13] as amended by Council Directive 90/398/EEC[14]. Its provisions have hence not been changed for more than 25 years.

The Directive applies to all goods vehicles, be they light commercial vehicles (LCVs; maximum mass up to 3.5 tonnes) or heavy goods vehicles (HGVs; >3.5 tonnes), motorised (rigid truck, road tractor) or non-motorised (trailer or semi-trailer) and to combinations of these (Article 1, lit (a)). It does not apply to passenger vehicles (e.g. buses and coaches).

It also applies to all forms of hiring, from (predominantly short-term) renting to (predominantly long-term) leasing, as long as the vehicle is put at the disposal of the undertaking hiring it.[15]

The Directive provides a minimum level of liberalisation as regards the use of hired goods vehicles for both national and international transport operations. It requires Member States to ensure that their undertakings may use, for the carriage of goods by road, hired vehicles under the same conditions as vehicles owned by them as long as the hired vehicles are registered or put into circulation in compliance with the laws in their countries.

This general rule is however subject to some specific conditions which have to be met should the use of hired goods vehicles be allowed in international transport operations. Member States cannot forbid the use within their territory, for the purpose of traffic between Member States, of vehicles hired by undertakings established on the territory of another Member State provided the following four conditions are met:

1) the vehicle is registered or put into circulation in compliance with the laws of the Member State where the undertaking hiring it is established;
2) the contract relates solely to the hiring of a vehicle without a driver and is not accompanied by a service contract concluded with the same undertaking covering driving or accompanying personnel;
3) the hired vehicle is at the sole disposal of the undertaking using it during the period of the hire contract; and
4) the hired vehicle is driven by personnel of the undertaking using it.

Proof of compliance with these four conditions is to be provided by means of a number of documents which have to be on board the vehicle.

[13] OJ L 335, 22.12.1984, p. 72.

[14] OJ L 202, 31.7.1990, p. 46.

[15] See COM(83) 266 final of 18.5.1983, p. 4, available at http://aei.pitt.edu/32381/1/COM_(83)_266_final.pdf

The Directive also allows Member States to exempt own-account transport operations (i.e. manufacturers, trading companies etc. carrying their own goods) with vehicles with a total permissible laden weight of more than 6 tonnes from the scope of the Directive (Article 3(2) of the Directive), i.e. Member States can forbid it, if they wish to do so.

Member States are free to lay down less restrictive conditions for the use of hired goods vehicles (Article 4), which underlines the character of the Directive as providing a minimum level of liberalisation: Member States cannot forbid the use of hired goods vehicles when the conditions set out in the Directive are fulfilled. They may restrict it otherwise, but they don't have to.

2.1.2 EVALUATION OF DIRECTIVE 2006/1/EC

In 2015, the Commission carried out an ex-post evaluation of Directive 2006/1/EC.[16] It was supported by an external contractor that produced a study to this effect.[17] The Commission Staff Working Document on the ex-post evaluation[18] clearly establishes shortcomings of the Directive both in achieving its own objectives and in its coherence with today's policy priorities. These shortcomings are related to the discretion which the Directive gives Member States in restricting the use of hired vehicles.

2.2. WHAT IS THE PROBLEM AND WHY IS IT A PROBLEM?

The following problems with the current Directive have been identified in the course of the evaluation and in earlier attempts to amend the Directive:

1. Own account operators in certain Member States cannot use hired goods vehicles and take advantage of the benefits associated with their use

Article 3(2) of the Directive allows Member States to restrict the use of hired goods vehicles with a maximum mass above 6 tonnes for own account transport activities. According to information available to the Commission, four EU Member States currently make use of this possibility: Greece, Italy, Spain and Portugal. As a consequence, own account operators in these four countries cannot benefit from the increased flexibility and the higher productivity associated with the use of hired goods vehicles.

The four Member States together account for 11.5% of total road haulage activity on own account in the EU. However, at 23%, their combined share in total road haulage activity for hire and reward in the EU is twice as high. As restrictions on the use of hired goods vehicles for own account transport activities negatively influence the development of the vehicle renting and leasing sector, they also have a negative impact on professional road haulage operators who may not benefit from the advantages of a fully developed and competitive vehicle renting and leasing sector (see also problem 2 below).

Own-account operators in countries with restrictions regarding the use of hired heavy goods vehicles have two options: either they buy a vehicle to transport their own goods or they ask a professional haulage operator to carry the goods for hire and reward. Stimulating the demand

16 Agenda planning 2015/MOVE/111.

17 https://ec.europa.eu/transport/sites/transport/files/facts-fundings/evaluations/doc/2016-ex-post-evaluation-of-directive-2006-1-ec-final-report.pdf

18 SWD(2017)xxx

for professional road haulage operators has traditionally been one of the justifications for the restrictions on the use of hired vehicles for own account operators.[19] However, instead of outsourcing the transport activity to professional road haulage operators, many own account operators without access to hired goods vehicles use their own vehicles instead.

Vehicles owned by own account operators tend to be underutilised. This appears to apply in particular to own account operators in Member States that restrict the use of hired goods vehicles: the share of empty runs during own account operations in Greece, Italy, Spain and Portugal is significantly above the corresponding share in Member States without such restrictions.[20]

As hired vehicles are generally newer, safer and less polluting than the average fleet[21], restricting their use for own account transport operations - which in Greece account for no less than 55% of total vehicle mileage in road freight transport - also has negative impacts on road safety, air quality and the fight against climate change. It is not surprising in this context that Member States with restrictions on the use of hired goods vehicles for own account transport operations are among those with the highest share of old and very old vehicles being used in road transport.[22]

As the four Member States may already now remove all their restrictions related to the use of hired goods vehicles by own account operators and hence create all the opportunities mentioned above, the question why they don't do so and how they justify the restrictions needs to be addressed. Next to the argument that it would stimulate the professional road haulage sector (see above), another aspect that has been brought to the Commission's attention is that the restrictions would prevent an increase in unfair competition by own account operators. It is argued that by being able to hire vehicles, their access to vehicles would be facilitated. Competition would be unfair because own account operators do not have to respect the same rules as professional operators for hire and reward. The Italian authorities indicated that this was already an issue in their country and they would not want to increase it.

It is however questionable whether these arguments are valid. The Commission has not heard from any authority of a Member State which allows the use of hired vehicles for own account operations that it would want to restrict it again because of too much unfair competition. There seems therefore to be no proven link between liberalisation and increased unfair competition. In fact, when own account operators are "forced" to buy their own vehicle (because they can't hire one) and that vehicle is then underutilised, they would have an incentive to engage in unfair competition with professional road hauliers, if only to increase the utilisation of the vehicle and thus make the purchase worthwhile. As mentioned above, many own account operators choose the option of buying their own vehicle instead of outsourcing the transport activity. It is therefore unclear how the restrictions could stimulate the professional road haulage sector.

19 Cf. Council document 10207/89, p.3.

20 See Ex-post evaluation of Directive 2006/1/EC; SWD(2017) xxx.

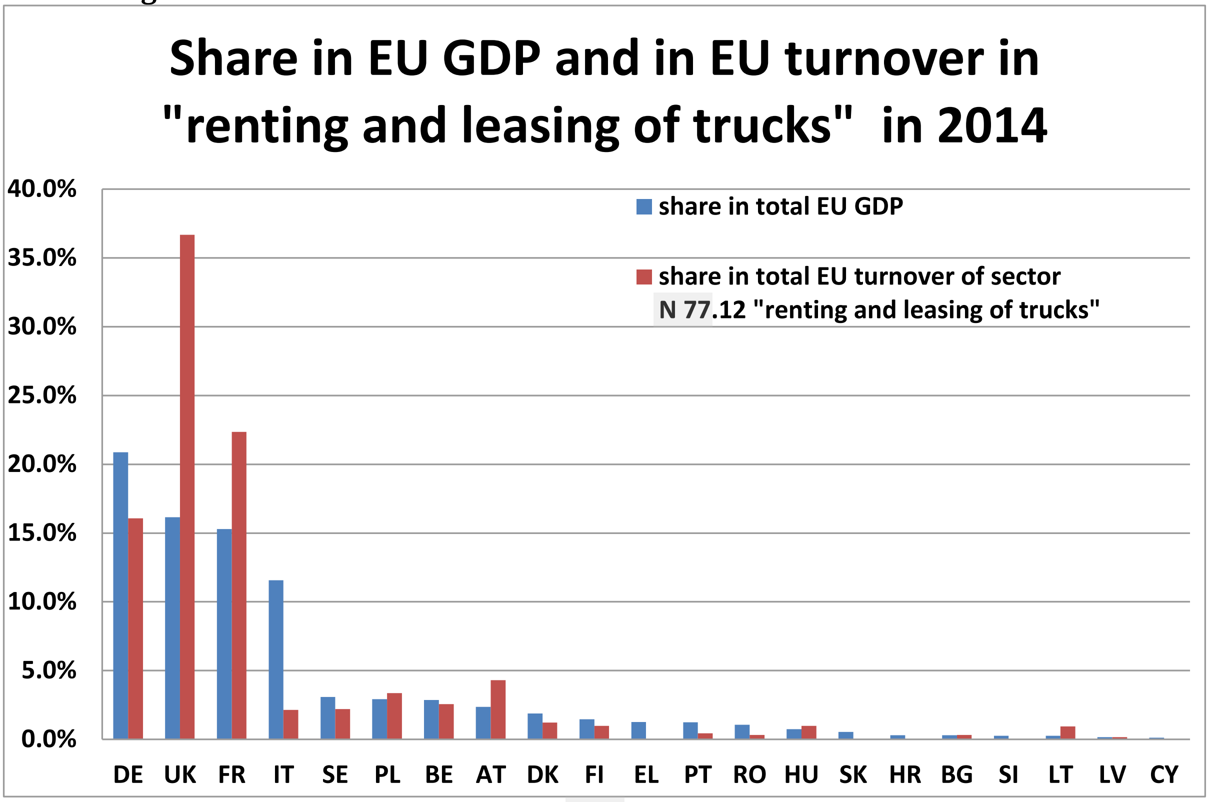
21 Hired commercial vehicles are on average 4-6 years younger than the overall fleet. See Ex-post evaluation of Directive 2006/1/EC; SWD(2017) xxx.

22 Eurostat data for 2015 suggest that the share of vehicles older than 10 years in total mileage (vehicle-km) is highest in **Greece** (63%), Cyprus (39%), Bulgaria (38%), Poland (34%), the Czech Republic (30%), **Portugal** (30%) and **Spain** (26%); EU average: 17%. For Italy, no full vehicle-km data are available.

2. Vehicle hiring markets in Member States with restrictions remain underdeveloped

The evaluation of the Directive has revealed that the hired vehicle market is relatively underdeveloped in the four Member States which impose restrictions on the use of hired vehicles for own account operations. An indicator for relative underdevelopment is a comparison of the share of each Member State in EU GDP with the respective share in total turnover in the economic sector "renting and leasing of trucks" (NACE rev. 2 code: N 77.12). It shows clearly that in Italy, Greece and Portugal, the share in total EU turnover in the sector "renting and leasing of trucks" is significantly smaller than the respective share in EU GDP.

Figure 1 - Share in EU GDP and in total EU turnover in the economic sector "renting and leasing of trucks" in 2014



Note: No data (on the share in EU turnover of sector N 77.12) available for CZ, EE, IE, ES, LU, MT and NL.

Source: Eurostat structural business statistics.

As Figure 1 above shows, the absence of restrictions on the use of hired vehicles for own account operations in itself appears not to be a sufficient condition for a strong development of the sector "renting and leasing of trucks" (as other factors appear to hold back the sector in countries such as Romania, Slovakia or Slovenia where there are no such restrictions). But the absence of restrictions appears to be a necessary condition for a strong development of the sector as no country with restrictions shows a strong performing truck-renting sector.

Feedback received from leasing companies suggests that they do not consider entering these markets because of the restrictions. As a consequence, fewer companies are active in the vehicle leasing business in these Member States which in turn reduces competition in the sector. This leads to less choice and higher prices for those who are allowed to use hired goods vehicles. As a result, the competitiveness of transport operators who provide road haulage services for hire and reward risks being compromised - quite the opposite of the intention to stimulate the road haulage sector by restricting the use of hired goods vehicles for own account operators. It should be noted in this context that the four countries in question together account for almost a quarter (23%) of total road haulage activity for hire and reward in the EU and a similar share (24%) in employment in the road haulage sector.

3. Patchwork of restrictions and uncertainty concerning the use of hired goods vehicles in different Member States

The Commission identified already in 1989 that allowing Member States to restrict the use of hired goods vehicles in certain market segments and under certain conditions resulted in "unequal application of the Directive" in the 12 Member States of the European Community. To reduce this unequal application of the Directive, it proposed to delete some provisions which allowed Member States to impose restrictions on the use of hired goods vehicles.

Experience gathered from stakeholders also suggests that the differing rules related to the use of hired goods vehicles in the Member States of the EU is confusing for operators and may lead to fines in other Member States where the rules differ from the ones known by an operator from his Member State of establishment. The cross-border use of hired goods vehicles is guaranteed by the Directive if the vehicle has been hired in the Member State of establishment of the undertaking hiring it. However, if the vehicle has been hired in another Member State, then Member States may forbid their use for international transport operations on their territory. Spain has been reported in the past to have forbidden the use of hired vehicles if they had not been hired in the country where the undertaking using them was established. For instance, if an operator from Luxembourg had hired a vehicle in nearby Metz (France) and driven to Spain, he would have been fined for using it on Spanish territory.[23]

Table 1 - Summary of restrictions concerning the use of hired vehicles registered in another Member State

Restriction	Number of Member States	List of Member States
Use of vehicles hired in another Member State by national operators		
No restrictions	8	BG, ES, FR, CY, NL, SI, SK, UK
Maximum period after which registration is required	7	AT, PL (1 month), LV, RO (3 months), BE, CZ (6 months), SE (12 months)
National registration of (motor) vehicle required (usually within 20 days)	13	DK, DE, EE, IE, EL, HR, IT, LT, LU, HU, MT, PT, FI
Use of vehicles hired in another Member State by operators established in that Member State		
Allowed	28	*(allowed in all MS as provided for in Article 2(1) of the Directive)*
Use of vehicles hired in a third Member State by operators from another Member State		
Allowed (assuming Community licence in place)	18	BG, DE, EE, EL, FR, HR, IT, CY, LT, HU, MT, NL, AT, RO, SI, FI, SE, UK
No information	10	BE, CZ, DK, IE, ES, LV, LU, PL, PT, SK

Source: Ex-post evaluation of Directive 2006/1/EC - Final report.

[23] The current situation in Spain is somewhat unclear: According to information received by the Commission, the legal framework appears not to have been changed, while "the infringement" has disappeared from the enforcement manual and appears no longer to be enforced.

The main issue brought up in the public consultation was the patchwork of rules that apply to the use of hired goods vehicles in the EU. Two thirds of all respondents (11 out of 17) found the unclear implementation of the existing rules concerning the use of hired goods vehicles an important problem. Three quarters (19 out of 25) thought that the presence of different restrictions across EU Member States related to the use of hired goods vehicles above 6 tonnes by own account operators would create a complicated legal framework that caused uncertainty for firms and transport operators. No fewer than 84% of all respondents (21 out of 25) thought that the complicated legal framework related to the use of a goods vehicle that has been hired in another Member State was causing uncertainty for firms.

In some Member States, the rules which apply to the use - on their territory - of vehicles hired by a national operator abroad differ from those that apply to the use of vehicles hired by a foreign operator outside his country of establishment. In the former case, the rules depend on the period that an operator may use a vehicle registered abroad before it has to be re-registered in his country of establishment. In the latter case, most Member States appear to require the certified copy of a valid Community licence (which is anyway required to be able to provide international road haulage services in the EU[24]).

4. Undertakings active in the vehicle rental / leasing business and transport operators cannot make the most efficient use of their fleet (e.g. by moving vehicles around to respond to temporary demand peaks)

Existing restrictions concerning the use of vehicles registered in another Member State can also be an obstacle to the flexibility of operations and the capacity to cope with seasonal fluctuations, both for vehicle hiring firms and for hauliers.

For vehicle hiring firms, the main issue is that they cannot use their vehicles registered in one Member State to meet supply gaps and seasonal demand in other Member States. Establishment in another country just to meet seasonal demand peaks is not always an economically viable option. Yet, even if they were established in several Member States, they would have to keep additional spare capacity in each Member State in order to be able to meet seasonal variations. This point has been made by the leasing industry on several occasions, in the public consultation and during the stakeholder interviews.

An alternative to keeping additional spare capacity would be de-registering the vehicles in the Member State where they happen to be registered and re-registering them in the Member State where they are needed. However, this would entail a significant administrative burden and costs estimated at around EUR 400 per vehicle.[25] Particularly in the context of short-term rental for a few days or months, the de-registration and re-registration of vehicles is most probably not a viable option.

From the point of view of transport operators, the presence of such restrictions means that they face limitations in their options of hiring vehicles from other Member States that may better meet their needs or that would cost less to hire abroad than in the Member State where they are established. The representatives of haulage operators that responded to the open public consultation considered that the restrictions represented important limitations to the flexibility of transport operations and the competitiveness of the sector.

[24] See Regulation (EC) No 1072/2009, OJ L 300, 14.11.2009, p. 72.

[25] Cf. SWD (2012) 81 final of 4.4.2012, p. 20.

Right now, not much cross-border hiring activity has been reported by the stakeholders, although it would be allowed in some countries up to a certain period of time (e.g. in Belgium for up to 6 months). Only 11% (14 out of 130) of the respondents to the SME panel questionnaire indicated that they had experience in hiring a goods vehicle abroad. One of the reasons given for this low level of cross-border hiring is the legal uncertainty created by the patchwork of rules in the EU (see point 3 above). In case there were clear rules on the use of vehicles in the internal market which have been hired in another Member State, all 50% of the respondents who had a clear view indicated they would consider starting or increasing their use of such vehicles (the other half of respondents said they didn't know).

In the absence of any clear data, it is very difficult to describe the magnitude of the problem. Demand for cross-border hiring is assumed to be short-term only - it would hence not affect (predominantly long-term) financial leasing, but only (predominantly short-term) vehicle renting and operational leasing. Assuming that 1% of all hired vehicles subject to vehicle renting and operational leasing contracts would be hired in another Member State once the use of such vehicles in the internal market was guaranteed by EU legislation (at least for a certain period of time), this would affect some 18,000 vehicles today and around 32,000 vehicles in 2030 (assuming an average annual growth rate of 3.8%, see below). If these vehicles were no longer required to undergo the de-registration and re-registration procedure costing EUR 400 per vehicle, it would save the operators some EUR 12.8 million in 2030.

As with problem 1 identified above, the question comes up why not all Member States do already today allow the use of vehicles which have been hired in another Member State. The current Directive would allow any less restrictive rules. However, many Member States fear that by allowing the use of a vehicle hired (and registered) in another Member State, they would incentivise tax optimisation through large-scale out-flagging of the fleet of their operators to Member States with lower vehicle taxes. The vehicles would hence be registered in a lower-tax Member State and hired back by operators based in the higher-tax Member State. The fear of losing tax revenues has already been brought up in the discussions in the Council of a proposal that intended to liberalise the cross-border hiring market in 1995.[26]

In 2012, the Commission adopted a proposal for a regulation simplifying the transfer of motor vehicles registered in another Member State within the Single Market.[27] It foresees among others that the use of a vehicle registered in another Member State shall not be restricted for up to 6 months before it has to be registered in the Member State where the holder of the registration certificate has moved his normal residence. The adoption of the regulation by the co-legislators is currently on hold.[28]

If it was adopted as such by the co-legislators, the use of a vehicle hired in another Member State should also be possible for up to 6 months. This would however likely only apply to the Member State where the undertaking hiring the vehicle is established. It would not guarantee the use of the hired vehicle in a third Member State. For that reason, an amendment of Directive 2006/1/EC may in such an event be even more necessary to provide legal clarity for operators aiming to use the hired vehicle across the EU.

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[26] COM(95) 2 final of 13.2.1995.

[27] COM(2012) 164 final of 4.4.2012.

[28] The European Parliament adopted its first-reading position in July 2013; the Council has however not adopted a position on it yet - more than 5 years after transmission of the file to the co-legislators. See here: http://eur-lex.europa.eu/procedure/EN/2012_82.

2.3. WHAT ARE THE MAIN PROBLEM DRIVERS?

As indicated in the problem tree (see Figure 4-1 in Annex 4), there are three underlying problem drivers:

Problem driver 1: The use of hired vehicles with a maximum mass above 6 tonnes can be restricted for own account operations

Problem driver 2: The use of goods vehicles that have been hired outside the Member State where the undertaking hiring it is established can be restricted.

Problem driver 3: The rules related to the use of vehicles hired in another Member State differ from one Member State to another.

Problem driver 1 directly affects problem n° 1 described above as own account operators in Member States with restrictions cannot use hired goods vehicles with a maximum mass above 6 tonnes and are thus prevented from benefitting from the advantages associated with the use of hired goods vehicles. It also affects problem n° 2 above as restrictions on the use of hired goods vehicles for own account operators reduce the potential market for the vehicle hiring/leasing sector. The market reduction thus imposed can be quite significant (up to 55% in Greece). Problem driver 1 also directly affects problem n° 3 above, as it allows Member States to impose their own restrictions, independent of other Member States.

Problem driver 2 directly affects problem n° 4 above as Member States are not obliged to allow on their territory the use of goods vehicles which either domestic operators have hired in another Member State or which foreign operators have hired outside their own country. As the use of goods vehicles hired (and therefore registered) in another Member State can be forbidden, both vehicle hiring/leasing companies and transport operators cannot move their vehicles to where they are most needed. Instead they may have to keep spare vehicles in each Member State to cope with additional temporary demand. These vehicles risk not being used as efficiently as possible which lowers the productivity of the undertakings concerned.

Problem driver 3, directly related to problem n° 3 above, is not uncommon whenever Member States are able to adopt their own rules. To the extent that the rules related to the use of goods vehicles that have been hired in another Member State (or for professional transport operators: goods vehicles hired in a Member State other than the one that has issued the Community licence) differ from one Member State to another, operators are faced with a patchwork of rules which creates uncertainty and generates additional compliance costs.

2.4. WHO IS AFFECTED BY THE PROBLEM, IN WHAT WAYS, AND TO WHAT EXTENT? WHOSE BEHAVIOUR WOULD HAVE TO CHANGE TO IMPROVE THE SITUATION?

The current restrictions on the use of hired vehicles have a direct or indirect impact on the following stakeholders:

Own account operators (i.e. companies coming from a range of economic sectors that carry their own goods around) in the 4 Member States with restrictions that have no/limited access to a functioning and competitive market of hired goods vehicles and the relevant services and which, as a result, do not have the flexibility provided by hired goods vehicles and hence may face higher operating costs and a reduced capacity to renew their fleet.

Road haulage operators for hire and reward are restricted in terms of their capacity to use vehicles registered in another Member State. Furthermore, to the extent that restrictions imposed on the hiring of goods vehicles for own account operations limit the overall development of the hired vehicles market, transport operators are also affected. Since the majority of road haulage enterprises are SMEs, limited access to the hired vehicles market may limit their capacity to respond to demand fluctuations, to improve their cash flow and to spread the additional cost of newer technologies over time.

Furthermore**, hire and reward operators involved in international transport operations** that make use of hired vehicles may also be affected by the presence of different restrictions across the EU concerning the use of hired vehicles registered in another Member State. They face a legal patchwork which can create uncertainty and can lead to penalties in some Member States.

Vehicle hiring firms across the EU are restricted in accessing specific national markets. They cannot access and satisfy existing or dormant demand and cannot make the most efficient use of their vehicle fleet to meet seasonal variations. They also face a complicated legal framework with different restrictions in each Member State that require resources to ensure compliance. Around 6,500 enterprises are active in the renting and leasing of trucks in the EU, the majority of which are SMEs with only a few large multinational enterprises. Some 33,000 enterprises are active in renting and leasing of cars and light motor vehicles, part of which (those involved in the leasing of vans) may also be affected.

National authorities are not particularly affected by the legislation in its current form since the monitoring and enforcement costs are generally limited across the EU. Loss of tax revenues from hired vehicles (acquisition and circulation taxes) was not identified as an important issue in the ex-post evaluation, but possible changes leading to increasing use of vehicles registered in another Member State may have implications on the level of national tax revenues.

Indirectly, **firms making use of transport services** may also be affected to the extent that they cannot benefit from reduced costs of transport operations. However, the ex-post evaluation did not identify this as an important group affected by the existing restrictions.

Finally, **society** in general is potentially affected by worse air quality due to an on average older vehicle fleet being used in Member States with restrictions (the fleet of hired goods vehicles tends to be newer, greener and cleaner than the overall fleet). This is likely to be marginal in terms of impact on air quality, but is worth acknowledging nonetheless.

2.5. WHAT IS THE EU DIMENSION OF THE PROBLEM?

The problems mentioned above are mainly due to the possibility of Member States to adopt their own rules and restrictions with regard to the use of hired goods vehicles in specific market segments or, for international operations, in case some conditions are not met.

In this context it is important to recall that the provision of road transport services is to a significant extent a transnational business; one third of all international road haulage activities in the EU are international transport activities.

In the absence of harmonised rules at EU level, operators active in international road transport activities are faced with a patchwork of rules which hampers their ability to operate efficiently throughout the EU and makes their life more difficult than it needs to be. Providing a harmonised legal framework across the EU would contribute to solving the issues identified above.

2.6. HOW WOULD THE PROBLEM EVOLVE, ALL THINGS BEING EQUAL?

The Directive has not been changed for more than 25 years. Before it was last amended in 1990, 5 of the 12 Member States of the then European Community applied minimum hire periods and 6 of them exempted own account operations from the scope of the Directive.[29] The 1990 amendment (Directive 90/398/EEC) abolished the possibility to impose minimum hire periods and limited the exemption of own account transport to the use of vehicles above 6 tonnes. Of the six Member States which restricted the use of hired goods vehicles for own account purposes in 1989, only two (Denmark and Germany) have meanwhile completely abolished these restrictions. The other four (Greece, Italy, Spain and Portugal) are still applying their restrictions to vehicles above 6 tonnes.

In the absence of an EU initiative, the rules governing the use of hired vehicles in the Member States of the EU will likely not change any time soon. Transport operators and vehicle renting and leasing firms would continue to face diverging restrictions across Member States. Operators in the four Member States which still restrict the use of vehicles above 6 tonnes for own account operators would continue to be restricted in their economic freedom and would continue to be faced with a relatively underdeveloped vehicle renting and leasing market. Authorities from Italy and Portugal have made clear that they see no need to change the rules.

In relation to the use of goods vehicles that have been hired in another Member State, there is again no indication that Member States will introduce changes to existing provisions in the absence of EU action. Possible changes may happen as a result of the proposal for a "Regulation simplifying the transfer of motor vehicles registered in another Member State within the Single Market"[30] which foresees that "a Member State may only require the registration on its territory of a vehicle registered in another Member State if the holder of the registration certificate has his normal residence on its territory" and grants a 6-month grace period for doing so. It may provide for a similar grace period for the use of a vehicle hired abroad, at least in the Member State where the undertaking hiring it is established. However, the proposal faces strong opposition from some Member States in the Council and is currently on hold (see also point 4 of section 2.2 above).

[29] See COM(89) 430 final of 13.9.1989, p. 2.

[30] COM(2012) 164 final of 4.4.2012.

3. THE RIGHT OF THE EU TO ACT

3.1 LEGAL BASIS

The legal basis for this initiative is Title VI (Transport) of the Treaty on the Functioning of the EU (TFEU), in particular Article 91 TFEU. It states, inter alia, that the European Parliament and the Council shall lay down common rules applicable to international transport to or from the territory of a Member State, or passing across the territory of one or more Member States, as well as the conditions under which non-resident carriers may operate transport services within a Member State. In accordance with Article 100 TFEU, the provisions of Title VI apply among others to road transport.

3.2 ANALYSIS OF SUBSIDIARITY AND ADDED VALUE OF EU ACTION[31]

Road transport is increasingly international. The share of international road freight transport activity in total road freight transport activity in what is now the EU-28 has gone up from around 28% in 2000 to almost 36% in 2014.[32] The EU can provide a harmonised legal framework in the increasingly integrated internal road transport market. Without EU intervention, Member States would not provide the level playing field that is needed in the internal market. The existing patchwork of national rules can only be overcome through EU action. A harmonised legal framework will reduce compliance and enforcement costs across the EU. As the Directive currently allows Member States to restrict the use of hired vehicles under certain conditions, reducing the scope of Member States to impose restrictions on the use of hired vehicles requires amending the Directive which can only be done at EU level.

Although own account operations are mainly national (in terms of tonne-km, only about one eighth of all own account activities in the EU are international)[33], opening up the own account market for the use of hired goods vehicles could have effects across economic sectors and across borders as more vehicle leasing companies, some from abroad, will be attracted to the new market, and as national transport operators for hire and reward will benefit from more choice and greater competition in the vehicle leasing market. In an integrated road transport market, changes to the framework conditions under which road hauliers operate in one market are bound to have an impact on road hauliers in other markets. The creation of a level playing field in the EU requires a harmonisation of the framework conditions across Member States. This can only be done at EU level.

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[31] The analysis of subsidiarity and the proportionality of different policy options is discussed in more detail in section 7.4.

[32] See EU transport in figures. Statistical Pocketbook 2016, Tables 2.2.4b and 2.2.4c; online available under http://ec.europa.eu/transport/facts-fundings/statistics/pocketbook-2016_en

[33] Source: Eurostat transport statistics.

4. OBJECTIVES

4.1 GENERAL POLICY OBJECTIIVE

The general objective (GO) of the revision of the Directive is to **support the further integration of - and the creation of a level playing field in - the EU road transport market** in line with the political priority of the Commission for the period 2014-2019 to create a **fairer and deeper internal market** with a strengthened industrial base. This should increase the efficiency and competitiveness of the road haulage sector which ultimately will translate into a more competitive European economy, more jobs and higher economic growth.

4.2 SPECIFIC OBJECTIVES

Specific objective 1 (SO1): Ensure equal access to the market for hired vehicles for transport operators across the EU

This specific objective directly addresses problems number 1 and 2 identified in section 1.2. Access to the market for hired vehicles currently depends on the Member State where the transport undertaking is established. For instance, if it wants to carry its own goods in Greece, Italy, Spain and Portugal, the undertaking cannot hire a goods vehicle for that purpose. If it is established in a small Member State, it may not be able to use vehicles hired in a neighbouring bigger Member State with a much larger market for hired vehicles.

Specific objective 2 (SO2): Ensure harmonised regulatory framework across the EU

As long as Member States are free to restrict the use of hired vehicles, and be it only under certain conditions, the legislative framework differs from one country to another and thus creates a patchwork of rules. This objective hence directly addresses Problem No 3. A harmonised regulatory framework puts all players in the same position and reduces uncertainty among market actors thus also addressing Problem No. 4.

Specific objective 3 (SO 3): Enable transport operators to perform their transport activities in the most efficient way possible

The use of hired vehicles as opposed to the use of vehicles owned by operators can contribute to a better allocation of resources as operators do not have to spend their capital on vehicles which may then be underused and as hired vehicles tend to have a higher utilisation rate than vehicles owned by operators. In addition the use of hired vehicles can lower costs of operators as hired vehicles are on average younger and better maintained, hence more reliable and more fuel efficient. Hiring vehicles - if needed across borders - allows operators to flexibly adapt their fleet to short-term needs of the market such as temporary or seasonal demand peaks. This SO aims at addressing all four problems identified in section 1.2.

Specific objective 4 (SO4): Reduce the negative externalities of road transport from heavy goods vehicles

Road transport generates a number of negative effects both on society (e.g. accidents, fatalities) and the environment (e.g. air pollution, GHG emissions) which the EU wants to reduce: it has adopted numerous legislative acts to make road vehicles cleaner and safer.[34] Promoting the use of the cleanest and safest vehicles can contribute to achieving this objective. It also supports the objectives of the Energy Union, in particular the European strategy for low-emission mobility.[35]

[34] See COM(2010) 389 final of 20.7.2010.

[35] COM(2016) 501 final of 20.7.2016.

5. OPTIONS

This section addresses the possible options for meeting the objectives defined in section 3 above and tackling the problems identified in section 1. Based on a study carried out by external consultants as well as on the stakeholder consultation, the Commission first identified a list of policy measures which have the potential to address the problem drivers described above. In the course of the impact assessment process, the Commission refined this analysis and has looked into different forms of intervention by considering which issues have a potential of being solved either through soft law measures or through hard law measures. As a consequence, a couple of options were discarded (see section 5.2).

5.1 BASELINE SCENARIO "NO ACTION AT EU LEVEL"

This option does not entail any action at EU level. This option would hence imply no costs or other impacts to be assessed. However, it would not address the problems identified above unless they would disappear by themselves. This is not expected to happen for the reasons given. Nevertheless, to understand the impact of the other policy options, which are assessed against the baseline, it is important to look at what the situation would be like if nothing was done.

5.1.1 BASELINE LEGISLATIVE DEVELOPMENT

By definition, the baseline assumes that Directive 2006/1/EC will remain unchanged. Other legislative acts which may have an impact on the use of hired vehicles such as the three Regulations forming the 2009 road package[36] may be changed but the provisions related to hired vehicles or making explicit reference to Directive 2006/1/EC are expected not to be touched. Among others, these provisions make sure that hired vehicles are treated in the same way as vehicles owned by operators when it comes to complying with one of the conditions for stable and effective establishment as a transport operator[37] and regarding the issuance of certified copies of the Community licence in both road freight and road passenger transport.[38]

The baseline also assumes that the Proposal for a Regulation on simplifying the transfer of motor vehicles registered in another Member State within the Single Market[39] is withdrawn and the current fragmented legislation at national level persists. The proposed Regulation aims at removing the obligation of re-registration of vehicles for a period of up to 6 months when the holder of the registration certificate moves his normal residence to another Member State. It could have implications in a situation where an operator hires a vehicle for up to 6 months in another Member State. Given the lack of progress in the Council,[40] it is unlikely that the proposal will ever be adopted.

In the (unlikely) event that the Regulation was adopted by the co-legislators, Member States would have to allow the use of vehicles registered abroad for up to 6 months. This would then contradict with the provisions of the Directive which allows Member States to restrict the use of vehicles that have not been hired in the Member State where the undertaking hiring it is established. In other words, it would make an amendment of the Directive even more urgent.

[36] Regulations (EC) No 1071/2009, (EC) No 1072/2009 and (EC) No 1073/2009; OJ L 300, 14.11.2009.

[37] Article 5 of Regulation (EC) No 1071/2009.

[38] Article 4 of Regulation (EC) No 1072/2009 (freight transport) and Article 4 of Regulation (EC) No 1073/2009 (passenger transport).

[39] COM(2012) 164 final of 4.4.2012.

[40] More than 5 years after the proposal has been submitted to the two co-legislators, the Council still has not adopted a position on it; see also here: http://eur-lex.europa.eu/procedure/EN/2012_82

5.1.2 BASELINE MARKET DEVELOPMENT

This section looks at the expected evolution of the market for hired vehicles until 2030 without changes to the Directive. When developing the baseline, it is important that all types of vehicles potentially affected by changes to the Directive are covered. The Directive applies to "motor vehicle[s], trailer[s], semi-trailer[s], or combination[s] of vehicles intended exclusively for the carriage of goods". As the Directive does not specify a weight limit, all goods vehicles are covered, be they light (light commercial vehicles, vans, with a maximum mass up to 3.5 tonnes) or heavy (heavy goods vehicles with a maximum mass above 3.5 tonnes), motorised (rigid trucks and road tractors) or non-motorised (trailers and semi-trailers). Trailers and semi-trailers can already be freely hired and used all across the EU without restrictions (facilitated by Regulation (EC) No 1072/2009), so there is no need to include them in the baseline.

There is a variety of vehicle renting and leasing forms (see Table 2 below). While they are all covered by the Directive, not all of them are relevant for the baseline as some are not affected by the proposed changes to the Directive. As financial leasing is exempted from the restrictions on own account transport in all four Member States with such restrictions[41] and as it is long-term (>1 year), it will not be affected by Options 1a (which abolishes the restrictions for own-account operations), 1b (which allows the use by an operator from one Member of a vehicle hired in another Member State for 3-4 months) and 1c (which combines both 1a and 1b). It is not relevant for Option 2 either. By contrast, vehicles subject to renting and operating leasing are clearly relevant for the development of the baseline.

Table 2: Typology of typical leasing and rental contract types and whether they are affected by the proposed changed to the Directive

Type of truck lease/rental	Vehicle on lessee's balance sheet?	Contract term	Vehicle registra-tion	Pre-mature termi-nation?	Vehicle insurance	Purchase option?	Affected by proposed changes in Directive?
Financial leasing	Yes		Transport operator	No	Option	Yes	No
Financial leasing with services	Yes		Transport operator	No	Option	Yes	No
Rental with BuyBack without services	No		Transport operator	No	Option	No	Yes
Rental with services	No		Transport operator	No	Option	Yes	Yes
Full service operating leasing	No		Transport operator	No	Option	Yes	Yes
Pool rental (all inclusive*, no split)	No	1 day - 36 months	Supplier / rental company	Yes	Standard	No	Yes

Note: * excluding driver and fuel.

Source: Ricardo (2017).

41 Ricardo (2017).

The base year estimate for the number of hired commercial vehicles in renting and operating leasing has been derived using vehicle stock data from Eurostat and national statistical offices (available for all Member States), data on the stock of leased vehicles from a selection of Member States provided by Leaseurope[42] and an extrapolation to the Member States where no information on the leased vehicle stock was available. This extrapolation was based on the share of leased vehicles in the total vehicle stock. As this share is higher in mature markets than in developing markets, the 28 EU Member States were divided in 11 mature markets (BE, DK, DE, FR, IT, LU, NL, AT, FI, SE and UK) and in 17 developing markets (BG, CY, CZ, EE, IE, EL, ES, HR, LV, LT,HU, MT, PL, PT, RO, SI and SK). As a rule, Western and Northern European markets are considered to be mature, while Southern and Eastern European markets still have some significant growth potential.[43] The result of this exercise for the whole EU is given in Table 3 below.[44]

Table 3 - Amount of hired (i.e. both rented and leased) goods vehicles in the EU-28 in 2014

Type of vehicle	Total stock of goods vehicles in EU-28	Of which total hiring (i.e. renting & leasing)	Share in total stock (%)	Of which renting and operating leasing	Share in total hiring (%)	Share in total stock (%)
Light commercial vehicles (LCVs) (<3.5 tonnes)	29.8 million	2.5 million	8.4%	1.42 million	56.7%	4.7%
Heavy goods vehicles (HGVs) (>3.5 tonnes)	6.1 million	1.0 million	15.6%	0.33 million	34.8%	5.4%
Total	**35.9 million**	**3.5 million**	**9.6%**	**1.75 million**	**50.7%**	**4.9%**

Source: Leaseurope, Eurostat, national statistical offices.

Data on overall commercial vehicle leasing (including all types of leasing and renting) in 17 EU Member States and Switzerland, provided by Leaseurope suggest that the number of new leasing contracts has grown at an average annual rate of 3.8% between 2010 and 2015, following a steep fall by around a quarter between 2008 and 2009 in the wake of the financial crisis. Although they could not be cross-checked by information from independent sources, the Leaseurope data for the years 2010 to 2015 are assumed to be reliable. In the absence of any more comprehensive data and estimates, it is assumed that the various types of leasing and renting have grown at the same robust rate since 2010 and will continue to do so in the future.[45]

The assumed annual average growth rate of 3.8% will lead to an overall increase in the hired vehicle market by 75% until 2030. With the size of the vehicle hiring market growing, more players are expected to enter the market which should increase competition and keep hiring rates in check. This in turn should strengthen the growth potential of the market. While 3.8% is assumed to be the average growth rate across the EU, the growth rate has been assumed to be lower in the 'mature markets' and higher in the 'developing markets'.[46] Developing markets

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42 Leaseurope is the European Federation of Leasing Company Associations (http://www.leaseurope.org/)

43 An important exception to the rule is Italy: It is a Southern European Member State with a clearly underdeveloped truck renting and operating leasing market (see Figure 1 above). However, for the purpose of this exercise, it had to be listed among the "mature markets" as the share of hired and leased vehicles in Italy is already somewhat above those in developing markets.

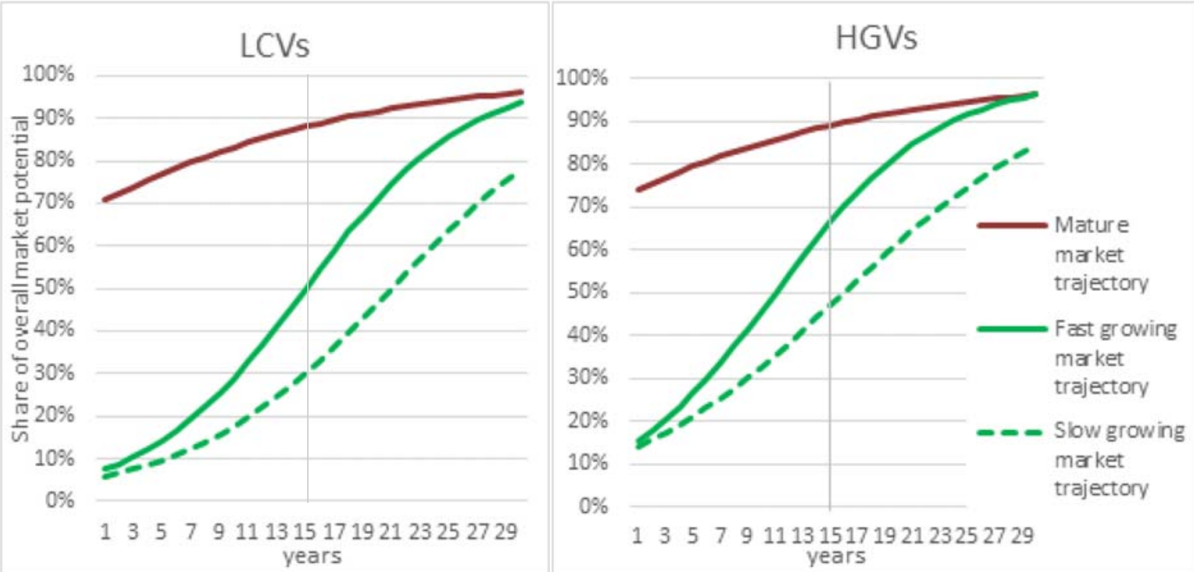
44 Data for individual Member States are given in Tables 4-5 and 4-6 in Annex 4.

45 Cf. Ricardo (2017).

46 The assumption is based on feedback from the leasing industry.

have been divided once more into slow-growing markets (CY, EL, ES and PT) and fast-growing markets (the other developing markets identified above). This distinction is relevant for the calculation of the assumed development trajectories for the different market types. Fast-growing markets are expected to converge with mature markets more quickly than slow-growing markets.[47]

Figure 2: Market growth trajectories



Note: In most cases, 2016 is assumed to be year 1; by 2030 year 15 is reached.

Source: Ricardo (2017).

As a result, under the assumed growth trajectories, the EU28 average share of light commercial vehicles held under rental / operating leasing contracts increases from some 5% in 2016 to around 8% in 2030. For heavy goods vehicles, the EU28 average share of vehicles under rental / operating leasing contracts increases from close to 6% in 2016 to about 9% in 2030. This means that the stock of **light commercial vehicles** under rental / operating leasing contracts will increase from some 1.5 million in 2016 to **2.6 million in 2030** while the stock of **heavy goods vehicles** under rental / operating leasing contracts is expected to grow from some 370,000 in 2016 to around **600,000 by 2030**.[48]

5.2 DISCARDED POLICY OPTIONS

Extension of the scope of the Directive to the use of vehicles hired with drivers

The extension of the scope of the Directive to the use of vehicles hired with drivers has been suggested by some Member States in the discussions in the Council in 1995 on the Commission proposal for a Council Directive on the use of vehicles hired without drivers for the carriage of goods by road (COM(95) 2 final).[49] This option has been discarded as it

[47] Cf. Ricardo (2017).

[48] Please note that the figures given here for 2016 are slightly higher than those given in Table 3 above as the latter refer to 2014 and the market has slightly grown since.

[49] See Council document 6354/95.

would go beyond what is necessary to address the problems and to achieve the objectives identified above. Moreover, it would not be politically feasible in the current economic climate.

There are risks that the liberalisation of the use of vehicles hired with a driver could in certain cases open the way to circumvent the social legislation related to road transport workers in a Member State. The extension would introduce a legally complex activity. Outsourcing the transport activity to a professional transport operator for hire and reward would be a less complex alternative.

Complete liberalisation of the use of hired vehicles

A complete liberalisation of the use of hired vehicles in the sense of allowing their use for all forms of carriage of goods (and passengers) by road at all times and everywhere in the internal market, without any restrictions related to the place of registration or the time period for renting would require over-riding all Member State legislation on vehicle registration rules. It would be a disproportionate measure as it would go beyond what is needed to solve the problems and to achieve the objectives identified above. Moreover, it would be politically unfeasible as Member States would fear losing revenues from vehicle taxation.

Extension of the scope of the Directive to the use of hired buses and coaches

The idea of providing similar rules as those that exist for the use of hired goods vehicles to the use of hired buses and coaches goes back to the Commission's 1992 White Paper.[50] It was taken up by the Commission in the amended proposal for a Council Directive on the use of vehicles hired without drivers for the carriage of goods by road in 1996[51] where it said in a recital that it would envisage "submitting a proposal for liberalizing the use of vehicles hired without drivers for the transport of passengers in other Member States".

However, no such proposal has been submitted to this day. When the initiative was launched to amend the Directive in 2016, the extension of the scope of the Directive to the use of hired buses and coaches was originally considered as one conceivable policy option. The consultation of stakeholders, of the public and of the SME panel, however, concluded that neither appeared there to be a problem (the sector was managing quite well without EU rules) nor was there a market for the hiring of buses and coaches without drivers. Whenever bus and coach operators are in need of additional buses and coaches, they usually subcontract to other bus and coach operators. Also in case of a breakdown of a vehicle abroad, operators usually contact partner companies and ask them to help out (usually hiring both coach and driver) until a replacement vehicle is available.[52] It has therefore been decided to discard this option.

In view of the recent and expected growth in the international transport of passengers by bus and coach in the wake of the recent liberalisation of the long-distance coach market in Germany and France and of the upcoming initiative of the Commission that foresees among others the EU-wide opening of long-distance coach services[53], it may be appropriate to monitor the evolution of the market for hired buses and coaches in the coming years.

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[50] The future development of the common transport policy. A global approach to the construction of a Community framework for sustainable mobility; COM(92) 494 final of 2.12.92.

[51] COM(96) 115 final of 25.03.1996.

[52] For more information on the outcome of the public consultation and of the consultation of the SME panel on this issue, see Annex 2 (towards the end of "Results of consultation activities").

[53] Cf. initiative n° 9 in Annex 2 to the Commission Work Programme 2017

5.3 Policy options assessed

The following policy options have been retained for analysis; their economic, social and environmental impacts will be discussed in detail in chapter 6.

5.3.1 Option 0: Issue guidelines and recommendations

This non-regulatory option foresees the issuance of recommendations and guidelines to clarify the application of the Directive and to promote a common approach in terms of the restrictions applied at national level concerning the use of hired goods vehicles for own account operations and of those registered in another Member State.

5.3.2 Option 1: Targeted legislative amendments

This option foresees specific surgical changes to the existing Directive with a view to reducing the scope for Member States to restrict the use of hired vehicles. There are three sub-options:

Option 1a: Allowing the use of hired goods vehicles for own account operators throughout the EU; this way, own account operators in the countries which currently still impose restrictions would be able to benefit from the advantages associated with the use of hired vehicles. Problems n° 1 and n° 2 identified above would be addressed;

Option 1b: Allowing the use of goods vehicles which an operator established in one Member State has hired in another Member State for a certain period of time (3-4 months) e.g. to meet temporary or seasonal demand peaks. This option would help addressing problems n°3 and n° 4 identified above. For a certain period of time (3-4 months), the use of vehicles hired in another Member State would no longer be subject to a patchwork of restrictions in the EU and firms could move their fleets across borders to meet short-term and seasonal demand peaks, thus increasing the flexibility and productivity of their operations.

The period "3-4 months" has been chosen as it would allow meeting most of the temporary or seasonal demand peaks and if needed also the replacement of defective vehicles. It would hence provide sufficient flexibility to operators while at the same time enabling Member States to still have some control over the fleet which their operators use. It should be borne in mind in this context that the open public consultation was inconclusive on the question of the optimum duration of temporarily allowing the use of vehicles registered in another Member State. Moreover, national legislation does not indicate a common duration either. It is understood that while Member States have to allow the use of vehicles hired abroad under this Option for at least 3-4 months, they may impose a maximum hiring period, as long as that period is not shorter than the minimum hiring period of 3-4 months foreseen in the amended Directive.

It is assumed that the rules in the Member State where the operator is established regarding the re-registration of a vehicle that has been hired (and is therefore registered) in another Member State are the only ones that restrict the use of a vehicle hired abroad.[54] As Option 1b only foresees the use of vehicles registered in another Member State on a temporary basis and for no more than 3-4 months, it is assumed that all Member States which have a re-

[54] This is a rather conservative approach as there may be other rules that would restrict the use of a vehicle registered abroad but as these other rules have not been brought to the Commission's attention, it is assumed that the use of a vehicle registered abroad for 3-4 months should generally be possible - save for the re-registration requirements in some Member States.

registration deadline that is longer than 3 months or that have no such deadline are not affected by Option 1b.

According to information provided to the Commission in the course of 2014 in the context of the legislative proposal for a Regulation simplifying the transfer of motor vehicles registered in another Member State within the Single Market (COM(2012) 164 final), 11 Member States appear not to be affected by Option 1b either because they have no deadline for the re-registration of a vehicle that has been hired abroad (BG, ES, FR, CY, NL, SI, SK and UK) or because their deadline is longer than 3 months (BE and CZ (6 months) and SE (1 year)). The other 17 Member States are however assumed to be affected (see Table 4 below).[55]

Table 4 - Overview of maximum length of use by residents in a Member State of vehicles registered in another Member State

Re-registration deadline	Vehicle owner/holder is resident	Vehicle rented by resident
Immediately (up to 20 days)	BG, DK, DE, EE, EL, HR, CY, LV, LT, MT, FI, SE, UK	DK, DE, EE, **IE,** EL, HR, **IT,** LT, **LU,** HU, MT, **PT,** FI
30-60 days	**IE,** ES, FR, HU, AT, PL, **PT**	AT, PL
3 months	RO	LV, RO
4 months	NL	-
6 months	BE, **LU,** SI	BE, CZ
1 year	**IT**	SE
No deadline	SK	BG, ES, FR, CY, NL, SI, SK, UK
No information	CZ	-

Note: Member States **in bold** have more restrictive re-registration rules for vehicles rented by operators than for vehicles owned by operators.

Source: Ricardo (2017) based on information given in a Non-paper which the Commission produced in 2014 at the request of COREPER during the discussions about the Commission proposal for a Regulation simplifying the transfer of motor vehicles registered in another Member State within the Single Market, COM(2012)164 final of 4.4.2012.

Several stakeholders (national authorities and transport operators alike, but also union representatives) have highlighted possible negative consequences of this Option as it would make the enforcement of other rules governing the road haulage sector (in particular the market access rules) more difficult. Moreover, it would open the door to tax optimisation as operators could base most of their fleet wherever the vehicle taxation rates are lowest and then hire them back.

This risk should be mitigated through a number of measures. First of all, national authorities will continue to know what vehicles are at the disposal of their transport undertakings. For instance, the information to be provided in the national electronic registers will in the future also include the number plate of each vehicle at the disposal of the undertakings. Then, national authorities, who have to issue certified copies of the Community licence to their road haulage operators for each vehicle at their disposal, may also indicate the number plate of the vehicle on the certified true copy. Finally, limiting the opening of the cross-border hiring

[55] It should be noted that Option 1b may affect not only operators in the 17 Member States which would have to change their vehicle registration rules to allow the use of a vehicle hired in another Member State for 3-4 months, but also operators from the other 11 Member States who would then have legal clarity on the EU-wide use of a vehicle they have hired in another Member State. The assumption that it would affect only 17 Member States can hence be regarded as conservative.

market to 4 months in itself should prevent large-scale out-flagging of the fleet and tax optimisation. The authorities of the Member States just would have to make sure that a cross-border hiring contract is not renewed all the time.

Option 1c: This option is a combination of Option 1a and Option 1b. It would allow both the use of hired goods vehicles for own account operators throughout the EU and the use of goods vehicles hired in another Member State for a period of 3-4 months.

5.3.3 OPTION 2: SAME RULES FOR HIRED VEHICLES AS FOR OWNED VEHICLES

Under Option 2, the legal framework for the use of hired vehicles is the same as the one for the use of vehicles owned by operators. It does not matter whether a vehicle is owned or hired. This also means that the same rules (e.g. in terms of registration requirements) apply to a vehicle hired in another Member State as those that apply to a vehicle bought in another Member State. Option 1a is hence fully included in Option 2. All restrictions on the use of hired vehicles for own account transport operations are lifted.

However, as regards the use of vehicles which have been hired in another Member State, some Member States apply less restrictive rules for instance when it comes to the requirement for re-registration of the vehicle in the Member State where the operator is established. In such cases, it is considered disproportionate to request Member States to apply exactly the same rules to the use of hired vehicles as they do to the use of vehicles owned by operators. Member States should not have to apply more restrictive rules to the use of hired vehicles than they do right now. In such cases, it would be sufficient that the use of hired vehicles is not discriminated against or is not subject to more restrictive rules than those that apply to the use of vehicles owned by operators.

As Table 4 above shows, the requirements for re-registration of a vehicle from one Member State that is used by an operator established in (or a resident of) another Member State differ from Member State to Member State. Only in Ireland, Italy, Luxembourg and Portugal (in bold in the table), do vehicles hired abroad need to be registered earlier than vehicles which have been bought abroad by a resident. In most other Member States, vehicles that have been hired abroad are subject to less restrictive re-registration rules than vehicles purchased by residents abroad.

5.4 ARE SMALL AND MEDIUM SIZED ENTERPRISES TARGETED BY THE DIFFERENT OPTIONS?

Almost all enterprises active in the road haulage sector and in the sector "renting and leasing of motor vehicles" are SMEs. According to Eurostat, more than 99% of all enterprises mainly active in either of the two sectors employ fewer than 50 persons. Road hauliers and vehicle leasing companies are among the sectors most affected by the initiative. Own account operators are from a number of different economic sectors; while it is impossible to say how many of them are SMEs, the option of liberalising the use of hired vehicles for own account operators should be particularly beneficial for own account operators that are SMEs as they stand to benefit most from the advantages associated with the use of hired vehicles as opposed to vehicles owned by them (more flexibility, higher productivity, less capital tied up in assets etc.).

6. WHAT ARE THE IMPACTS OF THE DIFFERENT POLICY OPTIONS AND WHO WILL BE AFFECTED?

6.1 ECONOMIC IMPACTS

The impacts of each policy option have been calculated relative to the baseline trajectory described in section 5.1.2 above. It has been assumed that all policy options start to gradually take effect from 2020 onwards. In 2020, 25% of the policy impact is assumed to be felt, in 2021, 50% is felt, 75% in 2022 and the full policy impact (100%) from 2023 onwards. The impacts presented usually refer to the situation in 2030.

6.1.1 IMPACT ON THE ROAD TRANSPORT MARKET

As described in the modelling approach in Annex 4, the main cost savings for transport operators comes from the fact that hired vehicles can help increase their productivity. As hired vehicles tend to have higher utilisation rates than vehicles owned by the operators[56], in particular if they are only needed to cover short-term or seasonal demand peaks, overall fewer vehicles are needed to provide the same amount of transport services. It is assumed that the utilisation rate is 11.1% higher, so only 9 hired vehicles are needed to replace 10 vehicles owned by the operators (10% reduction in vehicle stock).

1) *Impact on transport operators of Option 0*

Issuing recommendations and guidelines as foreseen under Option 0 is not expected to have any impact on the use of hired vehicles. As the existing legal framework is not being changed, the current restrictions will remain in place and operators are not expected to change their behaviour. Virtually all stakeholders who have been interviewed share this view.

2) *Impact on transport operators of Option 1a*

Under this option, the restrictions on the use of hired goods vehicles with a maximum mass above 6 tonnes for own account operations are removed. As currently only Greece, Italy, Spain and Portugal apply such restrictions, the impact of Option 1a is limited to these four Member States. The share of own account operations in total vehicle mileage is used as the basis for estimating the growth in hired vehicles under this option. While in the baseline, no vehicles would be hired for own account purposes, it is assumed that under Option 1a the market penetration of hired vehicles in the own account segment will be about the same as it is in the segment for hire and reward. The model predicts around 35,000 additional hired vehicles in the four Member States together in 2030 compared with the baseline scenario.

Table 5 - Estimate of the number of hired HGV under Option 1a based on own account mileage share and baseline number of hired vehicles

Member State (MS)	Share of own account operations in total vkm	Number of hired HGVs in baseline in 2030	Number of hired HGVs under Option 1a in 2030	Additional hired vehicles above baseline through Option 1a
Italy	12%	81,143	92,114	10,971
Spain	11%	37,847	42,735	4,888
Portugal	22%	5,911	7,585	1,674
Greece	55%	14,496	31,923	17,427
Total (4 MS)	**-**	**139,397**	**174,357**	**34,960**

Source: Ricardo (2017).

56 Cf. Ricardo (2016).

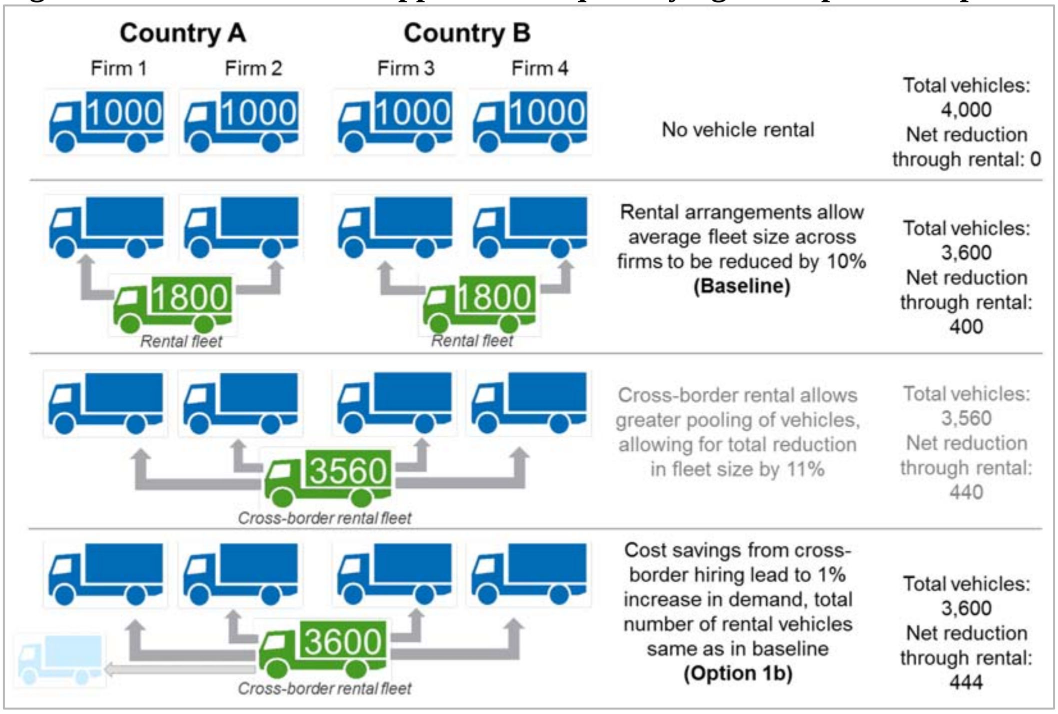
As each hired vehicle is assumed to replace 1.1 vehicles owned by operators (due to the on average higher utilisation rate of hired vehicles), 38,500 HGV are being replaced in 2030 under Option 1a. Since each HGV replaced produces annual savings for transport operators of some €825 (see Table 4-1 in Annex 4), total annual savings amount to almost €32 million. Under the sensitivity case of a 5% fuel saving from hired vehicles (see modelling approach in Annex 4), **total cost savings of Option 1a** increase to **€75 million**, as each vehicle replaced leads to an additional €1,100 worth of annual fuel savings (i.e. a total of €43 million of fuel savings).

3) *Impact on transport operators of Option 1b*

Option 1b allows the use of goods vehicles that have been hired in another Member State for 3-4 months. It applies to both light commercial vehicles (<3.5 tonnes) and heavy goods vehicles (>3.5 tonnes). While stakeholders said they would welcome harmonised rules for temporary cross-border hiring, they have not been able to quantify the potential benefits this would bring to them. Moreover, no hard data could be gathered on the number of vehicles hired in another Member State. Anecdotal evidence suggests that the practice of hiring goods vehicles in another Member State is rather uncommon.

Again, the modelling provides some clues on the possible economic impact of harmonised rules for cross-border hiring. Such harmonised rules are expected to lead to an even better utilisation of the pool of hired vehicles, as the same pool can be shared by a larger number of operators. It has been assumed that the reduction rate of the size of the fleet owned by operators by hired vehicles increases from 10% to 11% due to harmonised rules on cross-border hiring. As this will lead to some cost savings, which in a highly competitive market environment are passed on to customers, a 1% increase in demand is expected (lower prices = more demand). The overall number of hired vehicles hence remains the same as in the baseline, but the higher utilisation rate due to a harmonised framework for cross-border hiring means that a greater number of owned vehicles can be displaced (see Figure 3 below).

Figure 3: Illustration of the approach for quantifying the impacts of Option 1b



Source: Ricardo (2017).

As 10% more vehicles are assumed to be replaced by hired vehicles under Option 1b, there is a 10% increase in net savings per vehicle replaced. In the case of light commercial vehicles (<3.5 tonnes), this adds up to total cost savings of around €50 x 900,000 vehicles = €45 million over the baseline in 2030. In the case of heavy goods vehicles (> 3.5 tonnes), it adds up to total cost savings of around €83 x 350,000 vehicles = €29 million over the baseline in 2030. In total, Option 1b should bring annual cost savings of around €74 million by 2030 for transport operators.

Under the 5% fuel saving scenario, each light commercial vehicle replaced is expected to save some €500 in fuel cost per year and each heavy goods vehicle is expected to save some €1,100 per year in fuel. As the number of additional vehicles replaced above the baseline is 9,000 light commercial vehicles and 4,000 heavy goods vehicles, fuel savings amount to €4.5 million for light commercial vehicles and €4.4 million for heavy goods vehicles, i.e. a total of €9 million. Including the fuel cost savings, **total cost savings of Option 1b** can thus be assumed to be **€83 million per year**.

4) Impact on transport operators of Option 1c

Option 1c is the sum of Option 1a and Option 1b. As both Options are independent of each other, their effects can be added up. **Total cost savings** (including fuel savings) **for transport operators from Option 1c** are hence expected to be **€158 million** (€75 million from Option 1a and €83 million from Option 1b) in 2030.

5) Impacts on transport operators of Option 2

Option 2 ensures that the legal framework for the use of hired vehicles is not more restrictive than the rules that apply to the use of vehicles owned by operators. Option 2 fully covers Option 1a. In addition, less restrictive re-registration rules would be required in the four Member States Ireland, Italy, Luxembourg and Portugal where currently the re-registration requirements for vehicles hired abroad are stricter (i.e. the grace period before re-registration is required is shorter) than for vehicles purchased abroad.

Cost savings associated with less stringent rules on cross-border hiring of light commercial vehicles in Ireland, Italy, Luxembourg and Portugal are expected to amount to €17 million per year, the corresponding figure for heavy goods vehicles being €10 million. In addition, the €32 million saving from Option 1a also applies, bringing the total cost savings for heavy goods vehicles to €42 million. Including the 5% fuel saving assumption, cost savings for transport operators amount to €19 million in the case of light commercial vehicles and €86 million in the case of heavy goods vehicles. **Total operational cost savings from Option 2** hence amount to **€105 million**.

6) Summary of economic impact for transport operators

The evolution of the cost savings over time from the use of hired heavy goods vehicles and hired light commercial vehicles is given in Figures 4-4 and 4-5 respectively in Annex 4.

In a microeconomic perspective, the assumed reduction in fixed operating costs by 10% translates into cost savings of around 1.5% of the average overall cost (i.e. fixed and flexible operating cost) per vehicle as fixed costs have a share of around 15% in total vehicle operating costs (incl. fixed costs as well as costs for driver, fuel, tyres etc.)[57]. Even if only

[57] See Figures 4-2 and 4-3 in Annex 4.

50% of these savings accrue to transport operators, they still reduce their costs by 0.75% when moving from the use of owned vehicles to the use of hired vehicles. Together with the assumed 5% savings in fuel costs which, depending on the vehicle type, can be up to one third of overall vehicle costs, total cost savings of more than 2% appear achievable. In a highly competitive environment, a 2% cost saving is quite important.

However, in a macroeconomic perspective, when the potential cost savings are put in perspective of the total costs of road haulage operators across the EU, they appear admittedly rather small. Even the maximum total annual cost savings calculated for Option 1c in 2030 (€158 million) are no more than 0.06% of the total costs of the road haulage sector in the EU today (which are estimated to be around €280 billion).[58]

However, the majority of cost savings will be made in the Member States which currently most restrict the use of hired goods vehicles. In Greece, for instance, the potential cost savings are expected to be equivalent to around 1.7% of the total costs in the road haulage sector today, mainly due to its important own account transport segment. Greek own account operators should therefore be among those benefitting most from a liberalisation of the use of hired goods vehicles. In addition, Options 1b (and 1c) should bring greater advantages to border regions across the EU and to small Member States as their operators are more likely to make use of cross-border hiring.

With costs in the road haulage sector as a whole going down by at most 0.06% (in Option 1c), and assuming a price elasticity of -1, the resulting increase in transport demand across the EU will also be no more than +0.06%.[59]

Box: ***How realistic is it that the calculated impacts will actually materialise?***

The impacts have been modelled under rather conservative assumptions regarding the benefits of hired vehicles (efficiency gains of more than 10% have been suggested; fuel savings going up to 7%) and regarding the vehicles affected in particular by Option 1b where the calculated impact is rather small (and may turn out to be much bigger). By contrast, the assumed size of the vehicle leasing market in the baseline in 2030 (75% bigger than in 2015; average annual growth of +3.8%) which also affects the impact of the individual policy options, is admittedly on the upper end of projections. Overall, however, the impacts presented here are considered to be reasonable and fairly realistic.

6.1.2 IMPACT ON THE VEHICLE HIRE SECTOR

While the growth in the road haulage sector from the removal of barriers for the use of hired vehicles is expected to be relatively small (see above), the same cannot be said of the impact on the vehicle hire sector. Under Option 1a, the number of HGVs replaced by hired vehicles in 2030 is 6.4% higher than in the baseline, under Option 1b, it is 0.7% larger than in the baseline. Under the combined Option 1c, the market is 7.2% larger compared to the baseline. Figure 4-6 in Annex 4 shows this difference over baseline in absolute terms. The maximum number of HGVs replaced by hired vehicles reaches just over 43,000 in 2030 (in Option 1c).

[58] Cf. Ricardo (2017).

[59] ibid.

Average annual non-fuel vehicle costs are around €17,000 per HGV (see Figure 4-3 in Annex 4) which can be assumed to roughly correspond to the turnover per vehicle in the HGV hiring sector. Under Option 1a, the extra number of HGVs replaced in 2030 is 38,500 (see above) thus resulting in some extra €650 million turnover. Under Option 1b, an additional 4,000 HGV and some 9,000 LCV are replaced by hired vehicles in 2030. At an operating cost of €17,000 per HGV and of €10,000 per LCV, this translates into extra revenues of €158 million. Assuming a 10% profit rate in the industry, expected profits in the vehicle hire sector may therefore increase by €65 million, €16 million and around €81 million under Options 1a, 1b and 1c respectively. Option 2 combines the growth in the vehicle hire market from Option 1a and the growth of Option 1b in Ireland, Italy, Luxembourg and Portugal. At €72 million additional gross profits by 2030, its impact is between Option 1a and Option 1c.

At a more general level, removing restrictions on the use of hired goods vehicles significantly improves market conditions for vehicle rental and leasing companies. The vehicle rental and operating leasing market in Member States with restrictions is relatively underdeveloped (see Figure 1 above). Removing the restrictions is bound to help develop these markets which will benefit from the arrival of new companies providing vehicle rental services which in turn increases competition and the supply of vehicles for hire or rent.

In this sense, in particular Option 1a is expected to shake up the vehicle rental and leasing sector in the four Member States which currently restrict the use of hired heavy goods vehicles for own account purposes. Option 1b allows the vehicle rental sector to offer its services across borders for up to 3-4 months. This should improve the productivity of the fleet of the vehicle hiring and leasing sector - above all in the 17 Member States which will have to adapt their re-registration rules for vehicles hired abroad to the new Directive. Option 1c combines the benefits of Option 1a and Option 1b. Option 2 combines the benefits of Option 1a with only a few of the benefits from Option 1b. Its impact is hence smaller than that of Option 1c.

6.1.3 IMPACT ON AUTHORITIES

Administrative burden on authorities

Options 0, 1a and 2 are not expected to create any tangible additional administrative burden for national authorities. However, the authorities of some Member States (DK, IT) have raised the issue that the liberalisation of cross-border hire in Option 1b (and hence also 1c) may make enforcement of market access and social rules more complicated as the registration plate of the vehicle does not indicate the place of establishment of the operator.

The Greek authorities believe that a register of hired vehicles would be required to be able to ensure that cross-border hiring is only done on a temporary basis and not in a permanent way to minimise tax burdens or to obscure illegal business practices. The Swedish authorities, who already now appear to allow foreign-registered trucks to be used in Sweden for up to one year, do not have a specific register. For the roughly 60 foreign trucks currently in use by Swedish operators, the creation of a dedicated register is arguably not worthwhile. However, if the use of goods vehicles hired in another Member State was allowed across the EU, thus eliminating legal uncertainty, the number of such vehicles may increase significantly. The economic analysis of Option 1b above suggests that by 2030 around 4,000 more heavy goods vehicles and 9,000 more light commercial vehicles would be replaced due to the legal certainty provided by this Option that a vehicle hired in another Member State can be used for up to 3-4 months without any restrictions. The creation and operation of a dedicated register would create additional costs of around €500,000 per year EU-wide.[60]

Alternatives have been suggested by the European Transport Workers' Federation (ETF). They include the indication of the vehicle number plate in the national electronic registers of road transport undertakings (which are connected through ERRU, the European Register for Road Transport Undertakings[61]) and/or the allocation of a temporary number plate by the authorities of the Member State where the operator hiring the vehicle is established. These alternatives are likely less expensive than the creation of a new register. However, own account operators are not covered by the national registers and issuing temporary number plates could still create some administrative burden.

Own account operators are less likely to hire vehicles in another Member State[62] and Member States have to issue a certified copy of the Community licence to professional transport operators for each vehicle at their disposal. Through this system, they already now have some control over what is happening in their countries. A dedicated register for hired vehicles seems therefore unnecessary. Some additional enforcement costs to effectively control the use of vehicles hired in another Member State will likely be required though.

Budgetary consequences

All policy options (except for Option 0) are expected to have an impact on Member States' tax revenues. The harmonisation of rules on the use of vehicles hired in another Member State (in particular Option 1b, but also 1c and 2) may incentivise operators to hire vehicles registered in Member States with low taxation levels. While such cross-border hiring should in principle only be possible on a temporary basis, e.g. to cover seasonal demand peaks, unscrupulous operators may opt for a more permanent use of vehicles hired abroad (or for constant renewals of short-term hiring contracts). It was not possible to estimate the tax losses and gains due to increased cross-border hiring activities. In any case, effective enforcement measures should prevent such behaviour.

Overall *vehicle tax* revenues could go down slightly as altogether fewer vehicles are needed when the use of hired vehicles is being intensified, due to the higher utilisation rate on average of hired vehicles compared with non-hired vehicles. However, the cost savings achieved through the use of hired vehicles and the associated increase in productivity may translate into a higher profitability of the sector, which should lead to increases in *corporate tax* revenues. This can be expected under all policy options except Option 0. Option 1c is expected to lead to losses in vehicle tax revenues of €11 million[63] but gains in corporate tax revenues of €38 million[64], leading to a net increase in tax revenues of €27 million in 2030. Option 1a will bring additional tax revenues to all four South European countries which apply restrictions on the use of hired heavy goods vehicles for own account operations.

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[60] For comparison, EUCARIS, the European car and driving licence information system (https://www.eucaris.net/) , has an annual budget of €640,000.

[61] For more information on ERRU see here: http://ec.europa.eu/transport/modes/road/rules-governing-access-profession/european-register-road-transport-undertakings-erru_en

[62] Eurostat data suggest that 88% of all own account transport operations in the EU do not cross borders.

[63] €3 million of this total are due to fewer light commercial vehicles being needed and €8 million come from the need for fewer heavy goods vehicles; see Table 4-2 in Annex 4.

[64] See Table 4.3 in Annex 4. The gains in corporate tax revenues do not include possible gains from the taxation of higher profits of transport operators due to the 5% fuel saving scenario, as these gains are assumed to be offset by corresponding losses in fuel taxation.

6.1.4 SME IMPACT

Option 0 will not help SMEs as the guidelines and recommendations are not legally binding and as they may be interpreted differently, potentially causing even more confusion. Option 1a gives many SMEs in Greece, Italy, Spain and Portugal, who carry goods on own account, the possibility to use hired vehicles. Some concerns were expressed, that SMEs in the road haulage sector could potentially suffer from increased competition from own account operators. But on the other hand, the draft measure will allow them to save costs and to put their capital in more lucrative investments instead of spending it on vehicles which would then likely be underutilised. SMEs should particularly benefit from this option as their access to capital is usually more restricted than the one for bigger companies.

Option 1b increases the flexibility of SMEs and of bigger companies - shifting vehicles around to meet seasonal or temporary demand peaks in another Member State may benefit bigger companies more but SMEs also benefit from the greater choice in renting a vehicle that Option 1b offers them. The impact of Options 1c and 2 on SMEs is expected to be similar to the combined impact of Options 1a and 1b in the case of Option 1c and somewhat weaker as regards the cross-border hiring in Option 2.

6.2 SOCIAL IMPACTS

In this section, the impact of the various options on employment, working conditions and road safety are being assessed.

6.2.1 EMPLOYMENT

Opening up hitherto closed markets for the use of hired vehicles is bound to create additional business in the vehicle leasing sector. The impact on employment has been calculated using the average number of vehicles per employee in the commercial vehicle renting and leasing industry (16.45). Assuming that a 1% increase in activity leads to a similar level of increase in employment, a total of 2,900 additional jobs are expected to be created in the vehicle leasing sector by 2030 under Option 1c, an increase by 1.7% in the sector "renting and leasing of motor vehicles" and by 11.1% in the subsector "renting and leasing of trucks".

The 2,100 extra jobs under Option 1a are only created in the four Member States with restrictions (Greece, Italy, Spain and Portugal). This means that also under Option 1c, over 70% of all additional jobs are created in these four Member States. Option 1b leads to the creation of 800 extra jobs in the vehicle renting and leasing business in the 17 Member States with more restrictive re-registration requirements for vehicles registered abroad. Additional jobs may also be created in the 11 Member States which do not have to change the re-registration rules, as the clear legal framework allowing the EU-wide use of vehicles hired in another Member State may incentivise operators also in these countries to more intensely tap into foreign markets. These potential additional jobs have not been quantified though.

The intensified use of hired goods vehicles is expected to lead to some job creation also in the road haulage sector. Again, assuming a 1% increase in activity leads to a 1% increase in employment, Option 1c is expected to create up to 1,700 new jobs by 2030.[65] All other options are expected to create fewer additional jobs than Option 1c. Employment in both sectors combined is hence expected to increase by up to 4,600.

[65] As mentioned above (at the end of section 5.1.1), the increase in activity is +0.06%.

6.2.2 WORKING CONDITIONS

A few stakeholders, including a representative of the drivers (ETF), raised concerns over a possible deterioration in working conditions due to the increased competitive pressure as an indirect effect of the initiative. The Italian authorities reported that Option 1a may lead to an expansion of the provision of illegal transport services for hire and reward by own account operators as their access to vehicles would be facilitated. As own account operators do not face the same regulatory framework as operators for hire and reward, the increased level of unfair competition would negatively affect the working conditions in the sector. This concern has however not been raised by anyone in a Member State without restrictions for own account operators and no evidence was provided. It may hence be unfounded.

Option 1b allows for the use of vehicles hired in another Member State. Representatives of workers consider that this will render the enforcement of the social and market access rules in road transport more difficult as the direct linkage between the vehicle and the driver is weakened. A trade union representative (ETF) suggested that this impact may be mitigated by requiring the vehicle number plate to be indicated in the national electronic registers of road transport undertakings and /or the allocation of special temporary number plates for the period of the cross-border hire. While there are fears of indirect negative impacts of the increased use of hired vehicles, some direct positive impacts should come from the use of a hired vehicle fleet that is more modern and more comfortable than older vehicles.

6.2.3 ROAD SAFETY

The majority of stakeholders - authorities, hauliers associations, vehicle renting / leasing companies - indicated that the impact on road safety is either neutral or slightly positive. Hired vehicles are on average newer, hence they tend to be equipped with more modern safety technology such as brake assist systems. As hired vehicles are generally also better maintained (according to information provided by the leasing industry), they are more reliable and less likely to break down. Overall, this should make the roads somewhat safer.[66]

Some stakeholders (transport operators) saw a potential safety risk in the fact that drivers are usually not fully familiar with the hired vehicle. Others (a trade union representative) feared that cross-border hiring may reduce the safety level of vehicles. Finally, an organisation representing public enterprises in Austria feared that cross-border hiring would increase the competitive pressure on undertakings which would put drivers under increased strain. Road safety may suffer as a result. It should be stressed though that the risks and fears mentioned here could not be substantiated and no supporting evidence has been provided or found.

6.3 ENVIRONMENTAL IMPACTS

CO_2 is the main greenhouse gas (GHG) emitted by road transport vehicles. It is directly proportionate to (fossil) fuel consumption. Almost all goods vehicles run on diesel, so their emissions contribute to climate change. The CO_2 emissions of trucks have not gone down a lot in the past. The focus in technological development was on exhaust treatment to lower pollutant emissions. This in turn required more energy which, together with a trend towards more powerful vehicles, kept fuel consumption and hence CO_2 emissions at a relatively high

[66] See, for instance, the 2014 Rental Truck Safety Study Report to Congress, available on the FMCSA website https://www.fmcsa.dot.gov/sites/fmcsa.dot.gov/files/docs/Rental%20Truck%20Safety%20Study%20Report%20Enclosure%20FINAL%20July%202014.pdf

level. However, latest developments in vehicle technology appear to have led to a decrease in specific fuel consumption, hence a decrease in CO2 emissions. EURO VI vehicles have been found to consume about 4% less fuel than EURO V vehicles.[67] As EURO VI vehicles have been introduced 4 years after EURO V vehicles, the recent development in fuel economies is equivalent to a 1% reduction of CO2 emissions per year. This trend is expected to continue over the modelled time horizon, not least because of the introduction of aerodynamic devices and more aerodynamic cabins in the wake of Directive (EU) 2015/719.[68]

As regards the CO2 emissions of light commercial vehicles (vans), test cycles suggest a drop of emissions by around 2.2% per year for new vans brought on the market between 2012 and 2015.[69] To meet the 2020 target of 147 g CO2 per km, CO2 emissions per km will have to go down by 2.7% per year. For the modelling, a 3% year-on-year reduction in CO2 emissions of light commercial vehicles is assumed.

Pollutant emissions (NOx, PM etc.) are assumed to go down by the same rate as CO2 emissions over the modelled time horizon (2016-2030). They have already gone down quite significantly over the past 15 years with the introduction of ever more stringent EURO emission standards. As reductions of the emission limits on a similar scale are not expected in the future, a more modest annual rate of reduction of 1% in the emission of major pollutants is assumed. The reduction of pollutant emissions of light commercial vehicles is expected to slow to 3% per year from 2020 onwards from slightly higher levels until then.

Although hired vehicles are normally younger than the average fleet and hence more fuel efficient, ultimately, lifetime vehicle mileage and emissions should be roughly equal between hired and non-hired vehicles. The key difference is that hired vehicles are used more intensively over the first few years of their life, thus running a greater share of their lifetime mileage in early years and reaching their lifetime vehicle mileage sooner than non-hired vehicles. The intensified utilisation of hired vehicles means more frequent fleet renewal.

All other things equal, if rented vehicles are utilised over a 5-year use period, their average age is 2.5 years. If these rented vehicles are utilised 11% more intensively than the vehicles they replace in a company fleet (as was assumed in the quantification of economic impacts), this means replacing a fleet that is 11% larger and used 11% longer. The average age of the replaced fleet would hence be 0.28 years (just over 3 months) above that of the rental fleet.

Given that an annual reduction by 1% is assumed for NOx, PM and CO2 emissions from heavy duty vehicles (i.e. heavy goods vehicles and buses and coaches), a reduction in average fleet age by 0.28 years will mean reductions of 0.28% amongst these emission categories for the share of transport activity replaced by hired vehicles. For light commercial vehicles, where improvements in NOx and CO2 emissions of 3% annually are assumed, hired vehicle emissions will be 0.83% lower than average vehicle emissions.

Feeding the model with all these assumptions and adding the assumed 5% fuel efficiency gains of leased/rented vehicles over non-rented vehicles, the overall impact of the policy options on CO2 and pollutant emissions can be calculated. As shown in Table 4-4 in Annex 4, the result is a reduction of the emissions over the baseline by 0.04% at most (option 1c; LCV and HGV combined). Although this small relative reduction may not be impressive, it still helps in the fight for cleaner air and against climate change, at almost no cost.

[67] http://www.eurotransport.de/news/lkw-verbrauchswerte-von-1966-bis-2014-immer-abwaerts-6550678.html

[68] OJ L 115, 6.5.2015, p. 1.

[69] http://www.eea.europa.eu/highlights/co2-emissions-from-cars-and

7. HOW DO THE OPTIONS COMPARE?

7.1 EFFECTIVENESS

In terms of the extent to which the policy options achieve the objectives identified above, Option 0 (issuing recommendations and guidelines) is only marginally more effective than the baseline (do nothing). All stakeholders agree that guidelines and recommendations will not help remove existing restrictions on the use of hired vehicles. A guidance document may help operators to better understand the legal framework but it will not lead to legislative changes. Moreover, as it is not legally binding, and as it may be interpreted differently, it may lead to even more confusion.

Options 1a and 1b are two complementary options each of which contributes to the creation of a level playing field in the EU road transport market. The two options target a different segment of the market for hired vehicles (Option 1a: own account operators using heavy goods vehicles in Greece, Italy, Spain and Portugal; Option 1b: transport operators using light commercial vehicles and/or heavy goods vehicles and vehicle leasing/renting companies in particular in the 17 Member States where current re-registration rules for vehicles hired abroad would not allow the use of such a vehicle for 3-4 months without re-registration).

The combined Option 1c brings together the benefits of Option 1a and 1b. The increased effectiveness arises both from the removal of the restrictions on the use of hired vehicles for own account operations in the Member States concerned and from increased flexibility through the possible use of vehicles hired in another Member State for 3-4 months to meet temporary or seasonal demand.

Option 2 is not as effective as Option 1c, as it leaves Member States the freedom to choose their own rules regarding the use of vehicles hired in another Member State as long as they treat them the same way as vehicles purchased abroad. It hence fails to create a level playing field and does not fully address the current regulatory patchwork. Only four Member States (Ireland, Italy, Luxembourg and Portugal) would need to change their legislation with regard to the requirements for re-registration of vehicles hired abroad. It is hence less effective than Option 1c where all Member States would introduce the same minimum period (3-4 months) regarding the use of vehicles hired abroad.

7.2 EFFICIENCY

The regulatory costs of each option are relatively small. The production and dissemination of guidelines and recommendations under Option 0 would create some minor costs in terms of administration.

Option 1a will remove current restrictions on the use of hired heavy goods vehicles for own account operators. The enforcement authorities in Greece, Italy, Spain and Portugal will no longer have to enforce the restrictions which should ease their regulatory burden and reduce their enforcement costs. The Italian authorities believe however that allowing the use of hired goods vehicles for own account operators may create other problems as it could incentivise own account operators to provide more illegal transport operations for hire and reward without being subject to the same rules on access to the profession or to the market as professional transport operators for hire and reward. The need to combat this kind of unfair competition reduces the overall cost savings for the administration. For own account transport operators in the four Member States, however, the compliance costs would disappear. Overall, Option 1a should result in a reduction of regulatory costs.

Option 1b (hence also Option 1c) allows the use of goods vehicles hired in another Member State for a period of 3-4 months. In order to prevent operators from abusing this possibility to hire goods vehicles in another Member State for longer periods, some implementation costs are likely to occur. Member States will want to restrict the use of vehicles hired in another Member State to a maximum period to make sure that there is no out-flagging of complete vehicle fleets. Some stakeholders indicated the need to set up a system through which transport operators or vehicle renting/leasing companies provide information on the specific vehicle indicating the period during which it will be used in another Member State. Whether a dedicated registry is needed to effectively monitor and enforce the maximum period, as some stakeholders suggested, is not certain. The use of existing systems (such as ERRU) may be sufficient. In any case, the benefits from the increased flexibility for operators and vehicle hiring/leasing companies are expected to outweigh any additional costs of such a system.

Option 2 would require legislative changes in the four Member States affected by Option 1a (removing the restrictions on the use of hired goods vehicles for own account operators) and in the four Member States which currently have stricter rules on the re-registration of a vehicle hired abroad than on the re-registration of one purchased abroad. As two Member States (Italy and Portugal) are affected by both changes, a total of six Member States would face implementation costs. Any possible additional enforcement costs would hence only occur in these Member States. They are however expected to be minimal, in particular in relation to the expected benefits.

7.3 Coherence with other mainstream EU policies

The coherence of the proposed policy options with two strategic policy documents of the Commission, the Agenda for Jobs, Growth, Fairness and Democratic Change of President Juncker (the so-called "Juncker priorities")[70] and the 2011 White Paper on transport policy[71], has been assessed. Policy Option 0 is neutral towards all the strategic policy objectives as it is not expected to have much (if any) impact.

The other options contribute positively to the creation of jobs, growth and investment. They all contribute to the removal of restrictions on the use of hired goods vehicles which creates jobs and investment opportunities not only in the vehicle renting/leasing sector but also in the road haulage sector. By allowing the use of goods vehicles that have been hired abroad, Options 1b, 1c and 2 are seen critically in particular by representatives of the trade unions who fear that this would make enforcement of road transport rules more difficult and lead to unfair competition and a deterioration of working conditions. Options 1a, 1b, 1c and 2 promote the use of hired goods vehicles which are generally newer, safer, less polluting and more fuel efficient than non-hired vehicles. This supports the objectives of the Energy Union and of a forward-looking climate change policy (and hence also the GHG and the air pollutant reduction target of the White Paper) as well as the EU's road safety policy.

The deepening of the internal market for both road hauliers and vehicle renting/leasing companies is at the core of each of these options. They all facilitate market access and support the creation of a level playing field. Each of these options is expected to lead to (slightly) lower costs for transport operators. In this respect they would have a negative impact on modal shift. However, as the transport operations which are carried out with the help of hired goods vehicles usually do not lend themselves to carriage by other modes of transport, the impact on modal shift can be considered to be neutral.

70 Juncker, J.-C. (2014): A new start for Europe. My agenda for Jobs, Growth, Fairness and Democratic Change. Political Guidelines for the next European Commission. https://ec.europa.eu/priorities/sites/beta-political/files/juncker-political-guidelines-speech_en_0.pdf.

71 COM(2011) 144 final of 28.3.2011.

Table 6 - Coherence of policy options with key EU policy objectives
("+" = positive contribution; "O" = no contribution; "-" = negative contribution)

Policy areas and priorities	Option 0	Option 1a	Option 1b	Option 1c	Option 2
Juncker priorities					
- Boost for Jobs, Growth and Investment	O	+	+	+	+
- Resilient Energy Union with a Forward Looking Climate Change Policy	O	+	+	+	+
- Deeper and fairer internal market	O	+	+	+	+
2011 White Paper					
- Access to market and fair competition	O	+	+	+	+
- GHG emission reduction	O	+	+	+	+
- Reducing local noise and air pollution	O	+	+	+	+
- Road safety	O	+	+	+	+
- Modal shift	O	O	O	O	O

7.4 Proportionality and subsidiarity

Option 1a directly addresses the existing restrictions on the use of hired heavy goods vehicles by own account operators in certain Member States. The cost-benefit ratio of this option is positive as it removes outdated restrictions and gives own account operators the freedom to use hired heavy goods vehicles. The option is targeted to the Member States with restrictions and it looks very straightforward and proportionate.

Option 1b directly responds to the problem related to the lack of flexibility and efficiency in fleet utilisation. The limited demand for the use of goods vehicles hired in another Member State (no precise figures on the size of the (potential) market for cross-border hire are available; transport operators generally seem to prefer to hire goods vehicles in the Member State where they are established) raises the question whether legislative action in this area is justified. At the same time, the existing restrictions hinder vehicle hiring/leasing companies and transport operators from moving their fleet around to meet temporary or seasonal demand in another Member State. The costs for de-registration and re-registration of a vehicle in the Member State of establishment seem prohibitive for short-term hire. Allowing the use of a vehicle hired in another Member State for 3-4 months will remove this administrative burden. It addresses the need for more flexibility without going beyond what is necessary to achieve this objective.

The patchwork of rules that apply to the use of goods vehicles hired in another Member State may also be addressed by the Commission proposal for a regulation on simplifying the transfer of motor vehicles registered in another Member State in the Single Market.[72] This proposal would also provide harmonised rules related to the re-registration requirements of vehicles purchased in another Member State. However, it would not necessarily allow the use of a vehicle that has been hired in another Member State throughout the internal market as the authorities of a third Member State may still restrict its use based on the provisions of the Directive. Option 1b would hence still be necessary to allow the EU-wide use of vehicles hired in another Member State.

[72] COM(2012) 164 final of 4.4.2012.

Option 1c combines the benefits of Option 1a and Option 1b. The analysis related to Option 1a and Option 1b hence also applies to Option 1c. As it is the most effective option with a still positive benefit-cost ratio, it is also proportionate.

Option 2 only affects 6 out of 28 Member States and hence is bound to have lower implementation costs than Option 1c. However, it is also less effective than Option 1c as it does not provide for harmonised rules regarding the use of vehicles hired in another Member state. It hence does not remove the patchwork of rules in the EU in this area. While it does not go beyond what is needed to address the issues at stake, it seems not go far enough either.

With regard to subsidiarity, Option 1a would not require EU action if the four Member States were to lift their restrictions on their own. However, authorities from two of the four Member States (Italy and Portugal) have clearly indicated that they do not intend to do so. The patchwork of rules regarding the use of hired goods vehicles by own account operators would therefore persist. On this basis, EU action is the only way to address this issue.

Options 1b (and 1c) also require action at EU level as Member States will not provide a common approach to the question of cross-border hiring on their own. It is a cross-border issue by nature. The same applies to Option 2 which is just a variant of Option 1c.

7.5 Conclusion: Preferred policy option

Table 7 below provides an illustration of how the options compare based on the explanations given in the previous paragraphs. Option 1c, combining Option 1a and Option 1b, emerges as the preferred option, as it is the most effective policy option. If the creation of a separate register for hired vehicles for enforcement purposes can be avoided, it is also among the most efficient options. Option 1c would provide solutions to problems (removing restrictions / creating harmonised legal framework) that can only be solved at EU level. But it would not go beyond what would be needed to solve the issues at stake, while addressing them all.

Table 7 - Comparison of policy options

("++"= strongly positive, "+" = weakly positive; "O" = no impact; "-" = weakly negative, "--" = strongly negative)

Policy areas and priorities	Option 0	Option 1a	Option 1b	Option 1c	Option 2
Effectiveness					
Efficient and flexible use of goods vehicles	O	+	+	+	+
Reduce operating costs / increase profitability of road transport operators	O	max. €75 mio	max. €83 mio	max. €158 mio	max. €105 mio
Capacity to respond to changes in demand	O	+	+	+	+
Simplify / improve regulatory framework	O	++	+	+	O
Equal access to market for hired vehicles	O	+	+	+	+
Reduce fuel consumption and air pollution from road transport	O	+	+	+	+
Efficiency					
Costs to authorities (implementation / enforcement)	O	O/+	O/-*	O/-*	O
Costs to industry	O	O/+	O/-*	O/-*	O
Cost/ benefit ratio	O	+	+	+	+
Coherence	O	+	+	+	+
Proportionality	O	+	+	+	+

Note: * Negative sign denotes increased costs in comparison with the baseline.

REFIT conclusion

Option 1c would help the operators active in road transport - both on own account and for hire and reward - save significant costs. The use of hired vehicles would reduce operating costs which have been quantified above and indeed more cost savings are conceivable: if operators could hire goods vehicles in another Member State for 3-4 months without having to de-register and re-register the vehicle they would save a lot of money, time and administrative burden. Assuming that 1% of all vehicles subject to (predominantly short-term) rental or operational leasing contracts were hired across borders, and these 1% were currently subject to de-registration and re-registration requirements in case they were hired for a period of 3-4 months, operators could save some EUR 12.8 million in the year 2030 by not having to de-register and re-register vehicles which are registered in another Member State (see also section 2.2 above).

Moreover, the costs of compliance with the amended rules should be lower as there is more clarity regarding the EU-wide use of hired goods vehicles for own account transport operations and regarding the EU-wide use for a period of 3-4 months of vehicles which have been hired in another Member State. By opening up additional possibilities for the use of hired goods vehicles, the initiative would remove administrative barriers and lower the cost for operators. At the same time it would increase the flexibility of undertakings in organising their freight transport operations and hence would raise their productivity.

In short: the Directive would again be fit for purpose. Regulatory costs would be lower; the regulatory framework would be clearer and more predictable. The revision of the Directive in this way would fit well in the Commission's REFIT programme.

The implementation and enforcement of the rules would however require careful monitoring of the activities of operators who use vehicles which they have hired abroad. The implementation and enforcement of the Directive is closely linked to those of the two Regulations governing access to the occupation of road transport operator and access to the international road haulage market. The provisions of these Regulations can help enforce the Directive, e.g. the use of the European Register of Road transport Undertakings (ERRU) which will include the number plate of the vehicles at the disposal of each transport operator. Moreover, the indication of the number plate of the motor vehicle on the certified true copy of the Community licence - which is already done by a number of Member States - could be spread as an example of best practice. The competent national authorities of the Member States which issue theses certified copies would then have some control over the vehicles used by their respective operators.

8. HOW WOULD ACTUAL IMPACTS BE MONITORED AND EVALUATED?

Currently, the Directive does not contain any monitoring and reporting arrangements on the basis of which the performance of the Directive, its implementation and enforcement could be evaluated.

A monitoring framework should start with the monitoring of the correct transposition of the Directive and its implementation in the Member States. All Member States should have to allow the use of hired vehicles for own account operations. Moreover, all Member States should have to adapt their national laws to allow the use of vehicles hired in another Member State (at least) for a set (minimum) period given in the Directive. The adaptations in national law should have to be made within a given time period. Member States should be required to inform the Commission about their transposition into national law.

The overall functioning of the Directive should also be monitored to assess to what extent the provisions of the Directive contribute to a better functioning of the road haulage market and of the market for hired/leased goods vehicles. The relevant data should be available from the leasing industry and/or national authorities.

A provision might also be added to the Directive which foresees a review and evaluation of the new rules around five years after they have been transposed into the national law of the Member States. The evaluation of the effectiveness of the Directive could be based on a number of elements: for example, on information to be provided by a dedicated survey of transport operators and of vehicle rental / leasing companies. The evaluation should be focused on assessing the extent to which the revised Directive provides a smooth framework for the use of hired goods vehicles. Data on the use of vehicles hired in another Member State should become available through the national electronic registers of road transport undertakings which will collect the number plate of the vehicles at the disposal of the undertakings.

Table 8 - Proposed monitoring and evaluation framework

Operational objectives	Indicator	Source(s)
Implementation		
All Member States to allow the use of hired vehicles for own account operations	Number of Member States that allow the use of hired goods vehicles for own account operations	Commission / national authorities
All Member States to introduce into national legislation relevant provisions to ensure that transport operators can use (at least) for a set (minimum) period - as defined in the Directive - goods vehicles hired in another Member State without restrictions or the requirement for re-registration	Number of Member States that have by a set date introduced into national legislation provisions to ensure that transport operators can use (at least) for a set (minimum) period - as defined in the Directive - goods vehicles hired in another Member State without restrictions or the requirement for re-registration	Commission / national authorities
Monitoring		
Increase the size and share of the hired goods vehicle market in road freight transport operations	Size and growth of the hired goods vehicle market across the EU (number of vehicles / turnover of sector)	Industry (e.g. Leaseurope)
	Share of hired vehicles in new registrations	Industry (e.g. Leaseurope)
Minimise obstacles for firms entering the hired vehicles market in Member States	Number of new firms entering in the hired goods vehicles market	Industry (e.g. Leaseurope); Eurostat

Increase access to hired vehicles registered in another Member State	Number of vehicles registered in another Member States hired by national transport operators	National authorities (registry) or industry report (survey)
Remove/address any aspects of the legal framework that cause confusion and uncertainty	Number of infringements related to the use of hired vehicles (total / cross-border)	Commission / national authorities
Evaluation		
Increased access of transport operators to hired vehicles (related to specific objective (SO) 1 above)	Extent to which transport operators consider that there are issues / constraints to the access and use of hired goods vehicles	Survey of transport operators
Increased use of hired goods vehicles in road freight transport leads to reduced operating costs and increased profitability of road transport operations (related to SO 3 above)	Operating costs in road transport sector	Survey of transport operators
Increased used of hired goods vehicles in road freight transport leads to increased vehicle utilisation (related to SO 3 above)	Level of utilisation of (hired) goods vehicles by road transport operators	Survey of transport operators
Increased use of hired goods vehicles in road freight transport leads to lower fuel consumption and air pollution (related to SO4 above)	Characteristics of hired vehicle fleet compared to overall fleet (across all Member States), e.g. in terms of - age / fuel efficiency - average operating costs - emission standards	Survey of transport operators
Remove/address any aspects of the legal framework that cause confusion and uncertainty (related to SO 2 above)	Extent to which transport operators and undertakings in the vehicle rental / leasing business consider that the legal framework on the use of hired vehicles is complicated	Survey of transport operators and of the vehicle renting / leasing sector

ANNEX 1

PROCEDURAL INFORMATION

1. ORGANISATION AND TIMING

The Directorate-General for Mobility and Transport (DG MOVE) was leading the preparation of this initiative and the work on the impact assessment in the European Commission. The agenda planning reference is 2016/MOVE/023 "Revision of Directive 2006/1/EC". The initiative was validated on 1 July 2016.

An inter-service steering group (ISG), chaired by the Secretariat-General with close involvement by DG MOVE, was established in April 2016 in view of the preparation of this initiative. The ISG met five times in the period from April 2016 to February 2017. The following Directorates-General (DGs) participated in the work of the group: Secretariat-General (SG), Legal Service (SJ), DG CLIMA, DG EMPL, DG ENER, DG ENV, DG GROW, DG RTD and DG TAXUD.

An online public consultation took place from 11 August to 4 November 2016 (see Annex 2).

2. CONSULTATION OF THE REGULATORY SCRUTINY BOARD

The Regulatory Scrutiny Board received the draft version of the present impact assessment report on 24 February 2017 and following the Board meeting on 22 March 2017 issued a positive opinion with reservations on 24 March 2017. The reservations of the Board were addressed in the revised IA report as follows:

RSB reservations	Modification of the IA report
Policy context not clearly explained	The policy context has been elaborated
Problem definition fails to demonstrate the magnitude and urgency of the problem	A rough estimate of the magnitude of the problem has been provided; while there is no urgency as such, the adoption of the 2017 road initiatives provides a window of opportunities
The case for considering the extension of the scope of the Directive to the use of hired buses and coaches has not been made	As there appears to be no problem, the Option related to the extension of the scope of the Directive to the use of hired buses and coaches has been discarded upfront.
Potential risks of the implementation of the preferred option (e.g. tax optimisation; difficulties for Member States to enforce rules) are not sufficiently assessed	The potential risks and measures to mitigate them have been more elaborated.
As it is a REFIT initiative, there should be some quantitative data on the potential for the reduction of the administrative burden	A rough quantification of the potential cost reductions has been provided.
The reporting on the stakeholder consultation is not sufficiently comprehensive and transparent.	The information provided on the stakeholder consultation has been expanded. The information from the stakeholder consultation has been more extensively used to support the policy options and choices.

3. Evidence and external expertise used

The impact assessment relied mainly on the support study carried out by an external consultant[73]. This study itself followed up from the support study for the ex-post evaluation of Directive 2006/1/EC carried out by the same consultant[74].

The whole report and the options considered in the IA report were designed by taking into account the following documents and evidence:

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73 Insert link once published.

74 https://ec.europa.eu/transport/sites/transport/files/facts-fundings/evaluations/doc/2016-ex-post-evaluation-of-directive-2006-1-ec-final-report.pdf

European Commission, 2012a. Commission Staff Working Document Impact Assessment - Proposal for a Regulation of the European Parliament and of the Council on simplifying the transfer of motor vehicles registered in another Member State within the Single Market. (SWD)2012)81 of 4.4.2012 [Online] Available at http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52012SC0081.

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ANNEX 2

STAKEHOLDER CONSULTATION

Consultation activities

The following consultation activities were carried out:

In the context of the preparation of the upcoming road initiatives, the Commission organised several seminars and meetings with (EU level) stakeholders and Member States in 2015 and 2016 to discuss, among others, also the experience they had with Directive 2006/1/EC and their views of any changes to the Directive.

Targeted consultation of authorities and expert stakeholders

In the course of the impact assessment, a total of 33 interviews with stakeholders have been carried out. 137 stakeholders had been contacted but 104 either declined or did not respond to the request for an interview, despite several reminders. The interviewed stakeholders can be grouped in six different types of stakeholders: road hauliers and their representatives (11 interviews), national ministries and enforcement authorities (8 interviews), vehicle leasing companies and their representatives (6 interviews), road passenger transport operators and their representatives (5 interviews), customers of road transport operators and their representatives (3 interviews) and, last but not least, trade unions and their representatives (1 interview). Vehicle manufacturers have also been contacted but no interview was carried out.

Table 2-1: Summary of stakeholder interviews

Type of stakeholder	Contacted	Carried out	Declined / no response
National road haulage operators association	38	7	31
International road haulage operators association	3	3	0
Haulage operator	4	1	3
National ministry	13	6	7
National road transport enforcement authority	5	2	3
Vehicle leasing company	7	4	3
National leasing association	12	1	11
International leasing association	1	1	0
National road passenger transport operators' association	24	3	21
International road passenger transport operators' association	4	2	2
Passenger transport operator	12	0	12
National association of customers of road transport operators	10	2	8
International association of customers of road transport operators	3	1	2
International transport workers' association	1	1	0
Vehicle manufacturer	1	0	1
Total (*)	**137**	**33**	**104**

Note: (*) The total is one less than the sum of the individual categories as one stakeholder represents both road haulage operators and road passenger transport operators and is hence listed twice in the categories above.

Source: Ricardo (2017).

12 week online open public consultation (OPC) on Your Voice in Europe

In addition, an online public consultation was carried out between 11 August 2016 and 4 November 2016 (12 weeks). A link to the consultation was provided on the corresponding website of DG MOVE.[75] In order not to create too much consultation fatigue, it was decided to carry out a back-to-back consultation that would gather views from the public related to both the ex-post evaluation (i.e. views on the experience with the present Directive and on the use of hired goods vehicles in general) and related to a subsequent impact assessment on possible revision of the Directive (i.e. views on some specific policy options and their expected impacts). Respondents were also given the opportunity to provide any further comments at the end of the questionnaire.

A total of 27 respondents filled in the online questionnaire. Slightly more than half of them (14) were transport operators or associations representing them. Public authorities (5) and vehicle leasing companies (4) accounted for 19 and 15% respectively of the respondents. The remaining 4 responses were from a communal enterprise association and from a private citizen. It should be noted that no trade union or related association participated in the consultation (see Table 2-2 below). The European Transport Workers Federation (ETF) representing drivers from across the EU had however already been contacted in the context of the targeted stakeholder interviews (see above).

The respondents came from a total 15 Member States; 3 respondents indicated that they were based in more than one Member State. This covered 10 of the 15 Member States of the EU before 2004 (BE, DE, ES, FR, IT, NL, AT, FI, SE and UK) and 5 of the 13 Member States that had joined the EU since then (CZ, EE, LV, MT and PL).

Table 2-2: Respondents to the questionnaire of the public consultation

Type of stakeholder	Number of responses
Transport operators / their representatives	14
Public authorities	5
Vehicle leasing companies / their representatives	4
Organisations representing general and SME business interest	2
Public / communal enterprise associations	1
Private individual	1
Workers' representatives / trade unions	0
Total	**27**

SME Panel survey

Finally, as most companies affected by the Directive are SMEs, a specific consultation using the SME panel of the Enterprise Europe Network[76] was carried out to gather views from SMEs. It went from 22 September 2016 till 11 November 2016 (7 weeks). Two separate questionnaires had been prepared, one related to the use of hired goods vehicles and the other related to the use of hired buses and coaches.

75 http://ec.europa.eu/transport/modes/road/consultations/2016-review-hired-vehicles-carriage-goods_en

76 https://een.ec.europa.eu/

A total of 156 responses were received to the questionnaire on the use of hired goods vehicles that had been sent to the SME panel. They came from various economic sectors. The transport, storage and communication sector (which provide transport services for hire and reward) and the sector wholesale and retail trade (which is an important player in own account transport activities) were most represented.

Table 2-3: Respondents to the questionnaire on the use of hired goods vehicles sent to the SME panel by sector

Sector	Number of responses
Transport, storage and communication	45
Wholesale and retail trade	43
Manufacturing	22
Other community, social and personal service activities	18
Construction	15
Other*	26

Note: The total (169) is above the number of respondents (156) as the questionnaire allowed respondents to select multiple sectors.

* 'Other' includes mining and quarrying, electricity, gas and water supply, hotels, restaurants and bars, public administration and defence, education, finance intermediation, health and social work, real estate, renting and business activities, and agriculture, hunting and forestry.

The respondents to the SME panel questionnaire related to the use of hired goods vehicles came from a total of 13 EU Member States (from 6 of the 15 Member States of the EU before 2004 (DK, DE, ES, FR, IT and PT) and from 7 of the 13 Member States which have joined the EU since then (EE, LT, HU, PL, RO, SI and SK)). Around 70% of the respondents came from the three Member States Romania (39%), Poland (19%) and Italy (13%).

A total of 94 responses were received to the questionnaire on the use of hired buses and coaches that had been sent to the SMA panel. More than half (56%) of them were providers of passenger transport services by bus and coach. Groups with fewer than 5 responses are not indicated separately any analysis based on such a low number of respondents per group is bound to be subject to a great deal of uncertainty. As all other sectors were represented by fewer than 5 respondents, the only meaningful distinction that can be made is the one between 'bus and coach operators' on one side and 'others' on the other side.

Table 2-4: Respondents to the questionnaire on the use of hired buses and coaches sent to the SME panel by sector

Sector	Number of responses
Providers of passenger transport services by bus/coach	50
Other*	40

Note: The total (90) is below the number of respondents (94) as 4 respondents did not indicate their sector.

* 'Other' include additional road transport services, public institutions, informatics, alloy traders, maritime transport, engineering, horticulture, agriculture, tourism agency, IT solution providers and software developers, financial services and accountants, driving schools, retail sale companies, guided tour operators, construction, healthcare, business advisors, security and a university.

The respondents to the SME panel questionnaire related to the use of hired buses and coaches came from a total of 12 EU Member States (from 5 of the 15 Member States of the EU before 2004 (DE, ES, FR, IT and PT) and from 7 of the 13 Member States which have joined the EU since then (EE, LT, HU, PL, RO, SI and SK)). Almost 78% of the respondents came from the three Member States Romania (36%), Italy (28%) and Poland (14%).

Results of consultation activities[77]

The **targeted stakeholder consultation** provided some relevant input on the proposed policy options and the expected impacts. The stakeholder interviews have also been used to gather additional data to support the analysis.

The consultation of the **SME panel on the use of hired goods vehicles** provided some additional input on the potential benefits of the use of hired vehicles. The majority of the 156 respondents indicated that increasing the flexibility of operations, meeting seasonal or temporary demand peaks, addressing issues related to defective / damaged vehicles, reducing operating costs and having access to specific types of vehicles were considered either important or very important benefits. Indirectly, the open public consultation also confirmed this view as the majority of respondents (15 out of 25) indicated that the impacts which existing restrictions would have on the reduction of the flexibility of transport operations were considered to be either fairly or very important.

Only 11% of respondents to the SME panel (14 out of 130) indicated that they had experience with the hiring of goods vehicles registered in another Member State. 8 of the 14 repondents said that they did not face any restrictions in using the vehicle.

The main issue brought up in the **public consultation** was the patchwork of rules that apply to the use of hired goods vehicles in the EU. Two thirds (11 out of 17) of all respondents found the unclear implementation of the existing rules concerning the use of hired goods vehicles a very important or fairly important problem. Three quarters (19 out of 25) of all respondents thought that the presence of different restrictions across EU Member States when it comes to the use of hired goods vehicles with a maximum mass above 6 tonnes by own account operators would create a complicated legal framework that caused uncertainty for firms and transport operators. No fewer than 84% of all respondents (21 out of 25) thought that the complicated legal framework related to the use of a goods vehicle that has been hired in another Member State was causing uncertainty for firms. 92% of respondents (23 out of 25) thought that ensuring a coherent and consistent legal framework in the use of hired vehicles across Member States was an important objective of the Directive.

When asked to propose other objectives of the initiative that should be considered, a number of further options were presented. Many of the ideas related to more harmonised rules across the EU. For example, it was suggested by an EU-wide industry association for road-rail combined transport that the Directive should look to introduce legislation on the parameters of registration, offering the issuance of European registrations as a solution. In addition, it was felt that these registers should be opened to all enforcement authorities across the EU, preferably in real-time to enable more consistent and effective monitoring. Additionally, it was proposed by an organisation representing road transport operators in the Netherlands that the ability of Member States to interpret the legislation differently should be minimised. Other suggestions for tentative objectives that the initiative should consider include

[77] A presentation of the results of the public consultation and of the consultations of the SME panel by stakeholder category is not provided here because the relatively low number of respondents to the consultations negatively affects their level of representativeness for their respective group. There is therefore a high risk that such a disaggregated presentation would lead to wrong conclusions.

improving social standards for drivers, facilitating the access to new technologies by operators, and tackling CO2 emissions from vehicles.

As the road haulage business in the EU is increasingly international, it is not surprising that the operators call for more harmonised rules to increase the legal certainty of their operating environment. It is for the same reason that more than three quarters (19 out of 24) of the respondents in the public consultation were of the opinion that the EU is the most appropriate level to design rules on the use of hired goods vehicles in transport operations across the EU.

When asked about the opinion on the different policy options, the response to **Option 0** (Issue Guidelines and Recommendations) was largely negative. It was felt that this would only be effective to a limited extent for clarifying the legal framework relating to the use of hired vehicles to both authorities and operators. It was highlighted that these documents have no real legal value and are ineffective when compared to the introduction of clear provisions in legal texts. Additionally, these documents may be still subject to differences in interpretation by individual Member States, and therefore would not offer a satisfactory solution to current problems of inconsistency of application. It was even suggested, by a public authority in Malta, that since these guidance recommendation documents would not be binding, it could actually result in further confusion within the sector due to different interpretations by different parties. The impact on harmonisation would be very limited, since Member States would have no obligation to amend current national legislation. It would not be an appropriate response for moving towards a more harmonised system according to the respondents, which as earlier identified, is a key concern with the current application of Directive 2006/1/EC.

If a guidance document were to be produced, survey respondents suggested that it should try to introduce clarity as much as possible, in an effort to somewhat harmonise the legislative framework on an EU-wide scale. Also, it should make reference to Regulation (EC) 1072/2009, which also makes provisions for hired vehicles.

When asked about the impacts of this measure on factors affecting the haulage sector, the vehicle hiring sector and public administrations, the survey respondents indicated that it would largely have no impact, as suggested previously.

Option 1a is met with greater positivity in comparison to option 0. The factors that this option is most likely to have a positive impact upon, according to the survey respondents, are the level of competition, investment in cleaner vehicles, and the creation of new jobs within the vehicle leasing sector.

However, this was not a unanimous opinion shared by all survey respondents. Some open-text responses expressed concerns that this amendment would in fact be damaging to small hauliers. The ability of operators to use vehicles with a greater gross vehicle weight and therefore load capacity would lead to the extension of the range of own-account operators. Small hauliers would lose out since they would be relatively less cost effective. Therefore, the option was seen as a potential threat to these hauliers, although there was no agreement on the size of the threat. An organisation representing vehicle leasing companies in Italy, however, claimed that since the rental of trucks enables businesses to remove financial risk associated with truck ownership and operation, small hauliers may not be as largely affected as previously thought.

Option 1b was met with broad positivity from the survey respondents. Survey responses suggest this amendment would have the greatest effect on the level of competition, growth, and job creation within the vehicle leasing sector. By contrast, only few respondents felt that it would have a negative impact on any of the factors considered.

Additional comments, however, highlight some concerns with this option which should be considered. For example, whilst it is strongly agreed that the proposed measure would provide an injection of competition within the vehicle leasing and road haulage sectors, a coordinated template response (two organisations representing road haulage operators in Belgium, and EU-wide) felt this would have a negative effect on SMEs and some other companies within the sector. It was also suggested by an organisation representing road haulage operators in the Netherlands that some companies would utilise the legislation to hire vehicles from other Member States, where tax regimes are lower. This would cause increased competitive pressures for SMEs, in a similar manner to the concerns raised in Option 1a.

Additionally, it was stated by an organisation representing public enterprises in Austria that road safety and quality may suffer as a result of this policy option, as it increases the competitive pressure and thus puts drivers under increased strain. Finally, a Swedish association of transport enterprises suggested that costs of administration and compliance are likely to increase for monitoring and enforcement authorities. However, this option would achieve positive effects by allowing companies to add vehicles to their fleet on a temporary basis to meet seasonal demand fluctuations. There was also support for a harmonised definition of how long a vehicle can be hired for across all Member States.

When asked about how long the fixed duration of 'temporary' should be, there was a mixed response from the respondents. Whilst few suggested that this duration should be less than a month, there was an even spread of responses for between one and 12 months. One respondent indicated that a minimum of 3 months should be applied, but he did not see a need to set a maximum. A final respondent noted that '*it should be recalled that according to the jurisprudence of the Court of Justice the notion of temporary in service provision is settled by the duration, regularity, frequency and continuity of the service, to be decided on a case by case basis*'.

Option 2 is to introduce the same rules for hired vehicles as already exist for owned vehicles. Member States would not be able to impose specific restrictions on hired vehicles, and these vehicles would be bound by existing Member State legislation around vehicle registration requirements. For example, there is typically a requirement to register a vehicle within a Member State if it is primarily used or based within that Member State following a grace period.

It was felt that this option would have a number of positive impacts. For example, it was expected that it would improve productivity of transport operations, whilst cutting costs for road transport operators. Additionally, it is thought to have positive impacts, as with the other options, on the growth, job creation, investment in new vehicles, and level of competition within the vehicle leasing sector. Unlike other options, however, it is expected to also have largely positive effects on the growth within the road haulage sector. By contrast, however, it was indicated that it would increase the competitive pressure on SMEs.

<u>Results with regard to a possible extension of the scope of the Directive to the use of hired buses and coaches (an option that has been discarded as no problem could be established)</u>

When asked about the need for an EU level legislation on the **use of hired buses and coaches**, only 22% of the respondents to the **online public consultation** (6 out of 27) replied 'Yes' while 33% (9 out of 27) saw no need and 44% (12 out of 27) had no opinion on the matter. 8 of 23 respondents indicated that they would be in favour of such a measure, whereas 5 respondents were against. The remaining 10 responses either indicated that they were neither in favour nor against, or they did not know. The reason for this mixed support may be related to a lack of certainty as to the necessity of this measure. The passenger transport market is reported to function properly, also at European level, with the renting of passenger transport vehicles common among coach/bus companies themselves. The survey respondents were split as to whether introducing passenger transport under the scope of the Directive would benefit or harm the sector. They felt however that, if buses and coaches were to be covered by Directive 2006/1/EC, they should be regulated with the same freedom as HGVs and the rules on the use of hired buses and coaches should be harmonised across the EU.

When asked about the effects of an extension of the scope of the Directive to the use of hired buses and coaches, a large share of respondents was unsure of the consequences of the measure. In general, the largest positive effects are expected for the vehicle leasing sector, where respondents felt that growth, job creation and the level of competition would benefit from the measure. However, due to the large share of "Do not know" responses, no strong conclusions can be drawn from this analysis. Some concerns raised by the survey respondents include a potential deterioration of driver working conditions due to the increased competitive pressure which the measure entails, and the need to ensure that only the most environmentally friendly EURO class vehicles should be allowed to be leased.

The consultation of the **SME panel on the use of hired buses and coaches** found that almost half (27/60) of those who had replied that they were involved (in one way or another) in the provision of passenger transport services had never used hired buses and coaches. When asked about the legal situation of the use of hired buses and coaches in their country, respondents from 5 Member States contradicted each other and some 18% did not know the answer. This suggests that a relatively high number of respondents are not fully aware of the legal situation in their country. Almost half (12/28) of those, who replied to the question whether they would consider using more hired coaches and buses if the restrictions in their countries were lifted, said they would do so. Similar to the situation with regard to hired goods vehicles, the main benefits from the use of hired buses and coaches were seen to be the ability to meet seasonal or temporary demand peaks, to increase the flexibility of operations and to help reduce operating costs of passenger transport operations.

Use of consultation results

It was not possible to get much quantitative information from the consultation process. However, the qualitative information that has been gathered was of great value for this impact assessment as the feedback received was fairly consistent and plausible.

The lack of support for the potential option of extending the scope of the Directive to the use of hired buses and coaches in the public consultation and the large share of respondents who had no opinion on this issue (even among bus and coach operators as the related SME panel questionnaire indicated) was taken into account when this potential option was discarded.

<u>ANNEX 3</u>

WHO IS AFFECTED BY THE INITIATIVE AND HOW

Who is affected	How are they affected?
Own account operators	Own account operators across the EU will be allowed to use hired goods vehicles with a maximum mass above 6 tonnes. At the moment, this is restricted in Greece, Italy, Spain and Portugal. The use of hired goods vehicles can contribute to increased flexibility and productivity.
Road transport Operators	Road transport operators will have legal certainty that they can use vehicles that they have hired in a Member State other than the one where they are established for 3-4 months. They may thus benefit from more choice and potentially better deals across borders, in particular if they are from Member States with a less developed vehicle renting / leasing sector and from border regions.
Vehicle renting / leasing companies	The vehicle renting / leasing industry benefits from access to hitherto closed markets (the own account operators in the four Member States mentioned above) and from the possibility to move around its vehicles from Member States where the vehicles would be idle to Member States where they may be needed on a temporary basis (3-4 months) to satisfy seasonal or other short-term extra demand. This increases the productivity and profitability of the vehicle renting/leasing sector in the EU.
National authorities in the Member States	National authorities will be relieved from controlling and enforcing market access restrictions such as the ones related to the use of hired goods vehicles for own account operations. At the same time, the temporary permission to use vehicles hired in another Member State will also need to be enforced. While the Directive does not impose a maximum hiring period for cross-border hires, most Member States will want to have one in place to avoid that their transport operators start moving their fleet to Member States with low tax levels and hire them back. Tax revenues are bound to increase mainly due to higher profits in the vehicle renting/leasing sector and in the road haulage sector.
Society in general	Society should benefit from the increased use of hired vehicles as hired vehicles are generally newer, cleaner and safer. As hired vehicles are usually better maintained than the average fleet, they also tend to be more fuel efficient. Altogether, the initiative will contribute to lower pollutant emissions, lower CO_2 emissions and fewer road deaths.

ANNEX 4

MODELLING APPROACH AS WELL AS TABLES AND GRAPHS SUPPORTING THE ANALYSIS

Modelling approach to derive the economic impact of the use of hired vehicles

The starting point of the modelling is that the use of hired vehicles allows companies to increase their productivity by being able to respond to fluctuations in demand more quickly and drawing on a pool of vehicles available for hire when they need one. The question is then how this increase in productivity is to be estimated. It is known that hired vehicles tend to have higher utilisation rates than vehicles owned by operators. The more vehicles are hired, the fewer vehicles are hence needed to carry out the same amount of transport operations. Leasing industry representatives have claimed that fleet size could be reduced by up to 10% when an operator moves from owning his vehicles to hiring them.[78] The assumption of a possible reduction of the average fleet size by 10% through the use of hired vehicles is at the core of the modelling approach.

It is assumed that the annual fixed operating costs of a vehicle (depreciation, interest on capital, vehicle insurance and vehicle ownership tax) are identical for hired/leased vehicles owned by leasing companies and for vehicles directly owned by transport operators. As explained above, the use of hired vehicles instead of vehicles owned by the operators allows for a 10% reduction in the overall vehicle stock. A 10% reduction in the vehicle stock translates into a 10% reduction in fixed operating costs. It is assumed that the cost savings in the case of a vehicle replaced by a hired vehicle are equally shared between the transport company hiring the vehicle and the leasing company owning it.

Based on 2014 Cost Tables of the UK Road Haulage Association RHA[79], the cost savings per vehicle in the UK could be estimated. As the fixed operating costs vary between Member States, the numbers have been adjusted for each Member State. As a result, the average fixed operating costs per vehicle in the EU have been found to be around €9,700 per year for a light commercial vehicle (<3.5 tonnes) and some €16,500 per year for a heavy goods vehicle (>3.5 tonnes; weighted average between road tractors and rigid trucks).

Table 4-1 - Net cost saving for transport operator per vehicle replaced by hiring

Type of cost		LCV	HGV
Annual fixed cost (EU average)		€9,737	€16,502
Stock reduction / Fixed cost saving through hire	X	10%	
Gross cost saving per vehicle replaced	=	€974	€1,650
Proportion accruing to transport operator	X	50%	
Net cost saving accruing to transport operator	=	**€487**	**€825**

Source: Ricardo (2017).

78 In stakeholder interviews, leasing companies have even reported a possible fleet size reduction by up to 30% in the heavily seasonal food haulage business. However, it is not clear to what extent this reduction can actually be attributed to improved vehicle utilisation. It is true that vehicles used during peak periods by one customer may be rented out to another customer during non-peak periods, but only to the extent that the two customers are faced with two different peak periods. The "extreme" version of possible fleet size reduction has therefore not been considered (also because it was not found to be representative for all sectors using hired vehicles).

79 Available at http://www.andersonstransport.com/documents/terms/Cost-Tables-2014-EDITION.pdf

Another potential cost saving element comes from the fact that hired vehicles are on average more fuel efficient than other vehicles on the market, not only because they are on average newer but also because they are on average better maintained than other vehicles.[80] To explore the potential impact of improved fuel efficiency of hired vehicles, a sensitivity analysis which quantified the effects of a 5% reduction in fuel consumption has been carried out.

Representatives of the leasing industry indicated that, due to their bargaining power, their knowledge of the vehicle market and economies of scale, leasing companies usually get better deals than the average transport operator would when acquiring a vehicle. In a highly competitive market, they are bound to pass these benefits at least in part on to their customers who may thus benefit from additional financial advantages from using hired vehicles. However, as it was not possible to cross-check the information and to quantify these benefits, the operational cost saving calculations focus on the first two categories mentioned above - reduced fleet size due to higher utilisation, and fuel cost savings due to newer and better maintained vehicles.

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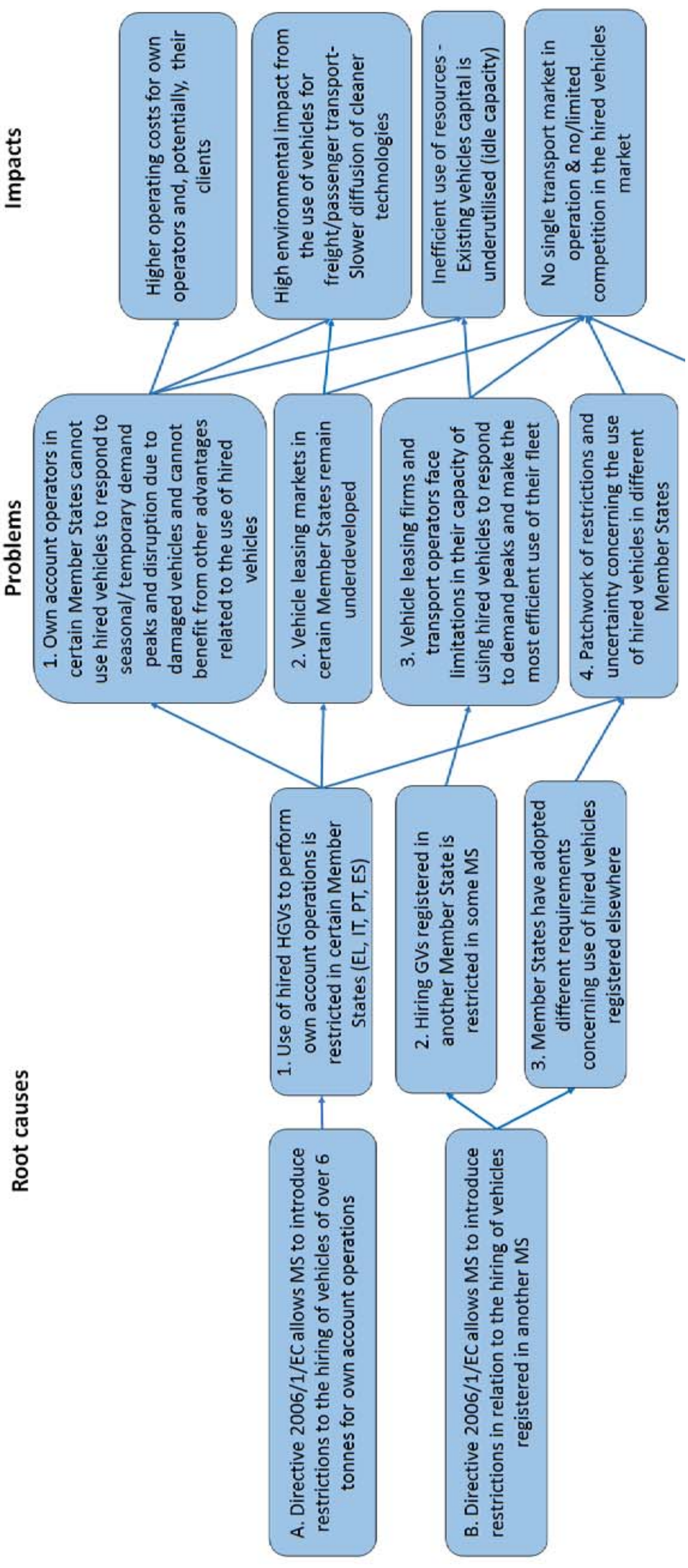
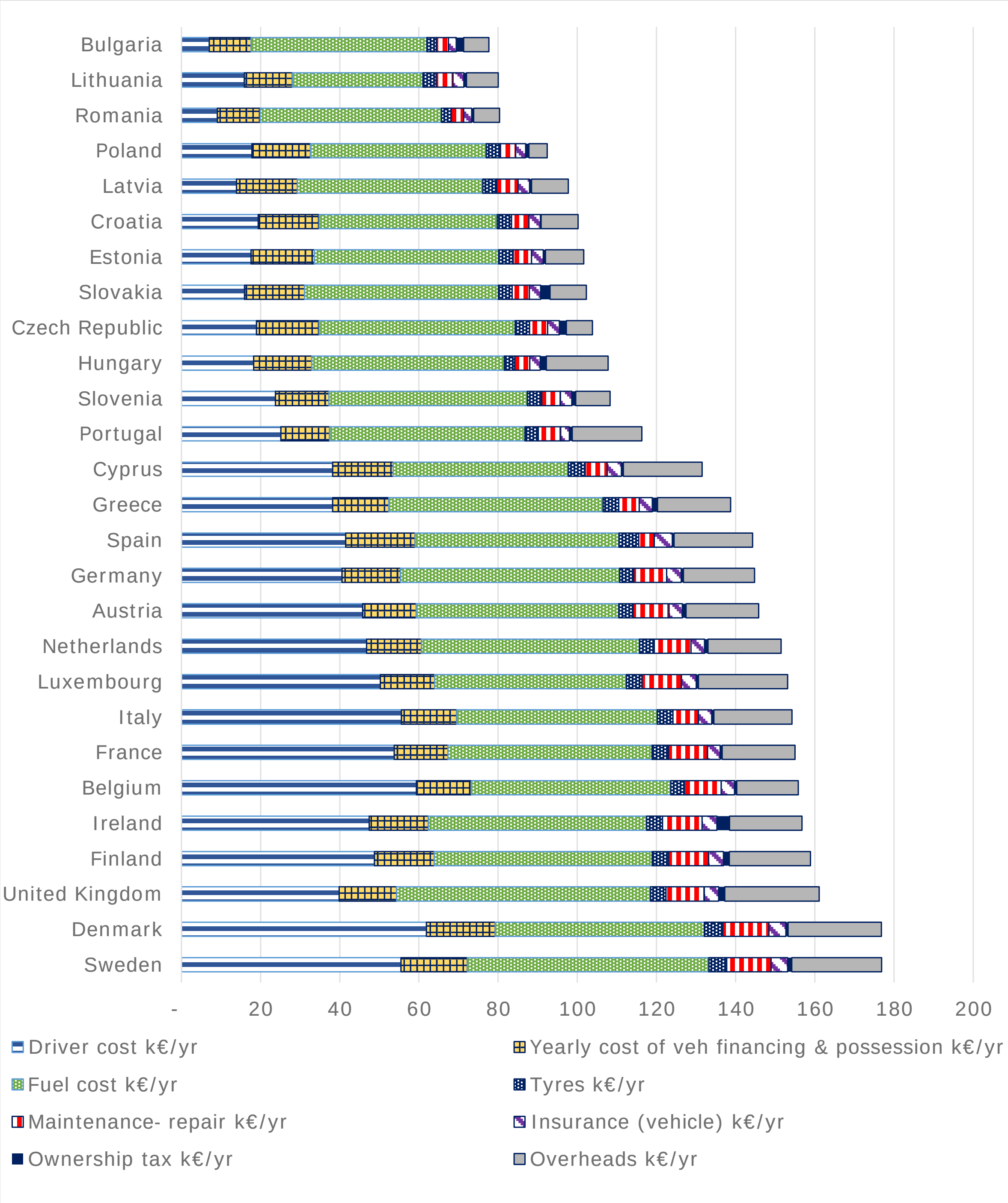
[80] Fraikin, a truck hire company, and certifying agency Dekra performed fuel economy tests on 15 EURO VI trucks and found that, under highway operating conditions, the best performing ones had up to 7% lower fuel consumption than the average. It is assumed that vehicle hiring / leasing companies will offer their customers the most fuel efficient vehicles on the market. Lowering the fuel costs of customers is one of the main selling points of leasing companies. http://www.fraikin.com/IMG/pdf/CP_Fraikin_Eco_Test_UK.pdf.

Figure 4-1: Problem tree diagram



Annual vehicle costs as input to the quantification analysis

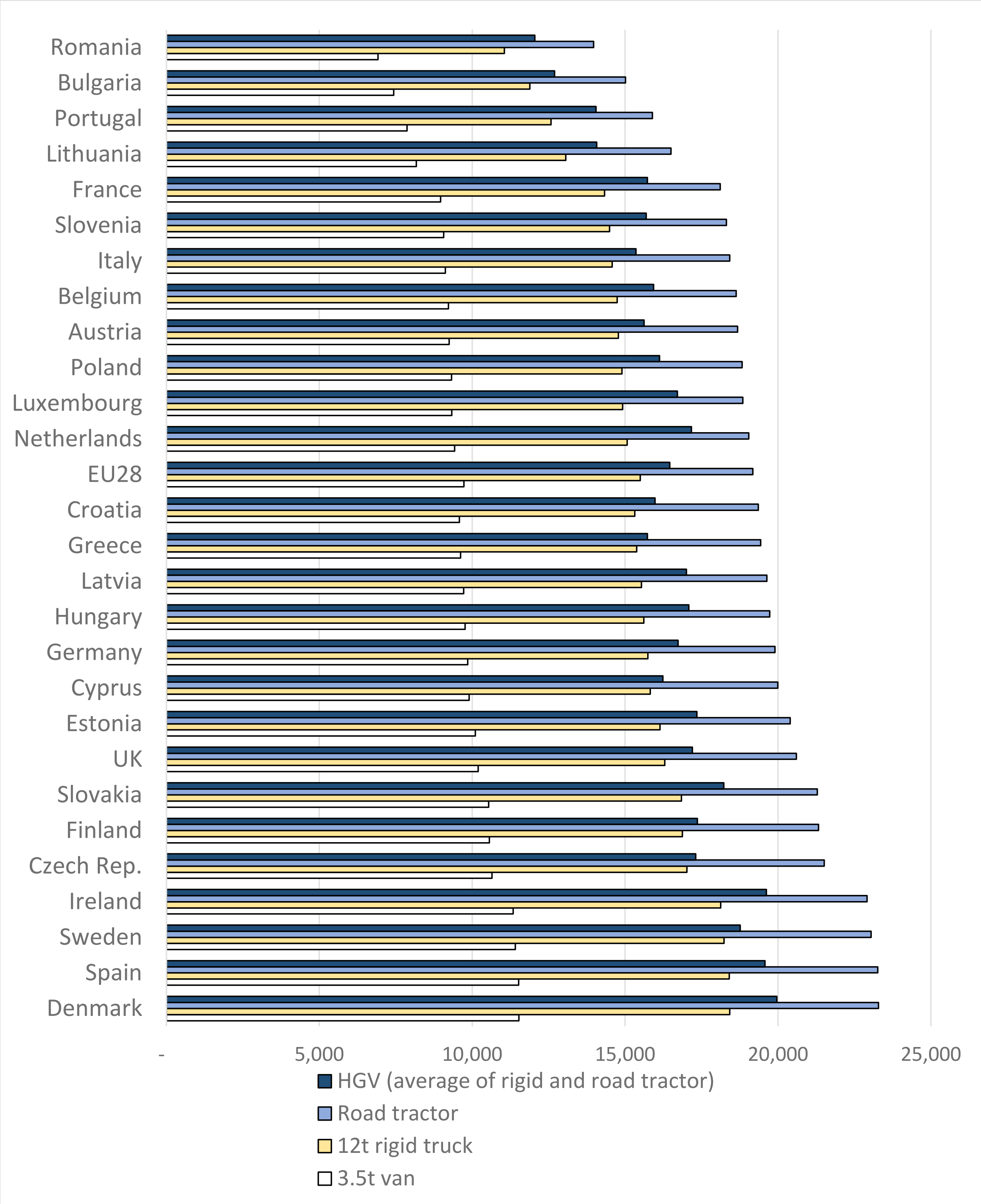
Figure 4-2: Estimated annual operating costs for an articulated truck by Member State



Notes: Direct country-specific cost estimates only available for BE, FR, DE, HU, IT, LT, LU, PL, SI, ES. Cost figures for the other MS are scaled, using Eurostat data on relative labour cost levels in the transportation and storage sector, and on purchasing power parities for providing estimates of capital, tyre, and repair and maintenance costs in each Member State.

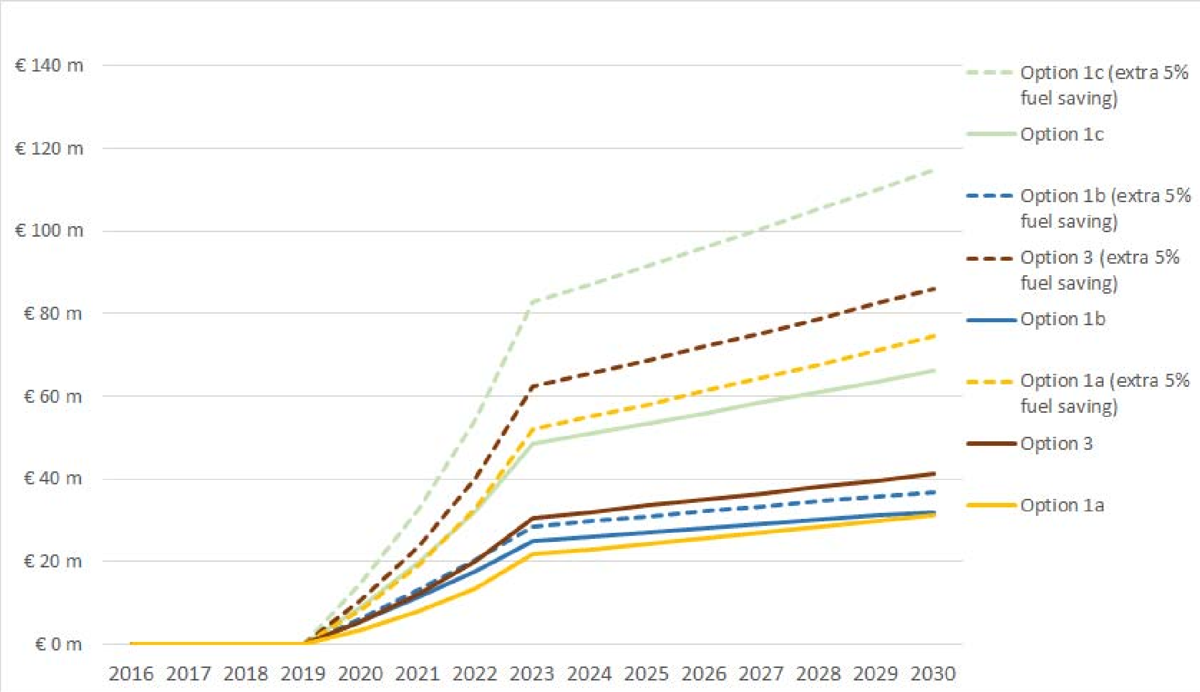
Source: Ricardo (2017).

Figure 4-3: Annual non-fuel vehicle costs across Member States used in leasing calculations



Notes: Costs for van and rigid truck based on UK figures from DFF International (2014) scaled by the cost ratios between Member States from the Figure 4-2 above.

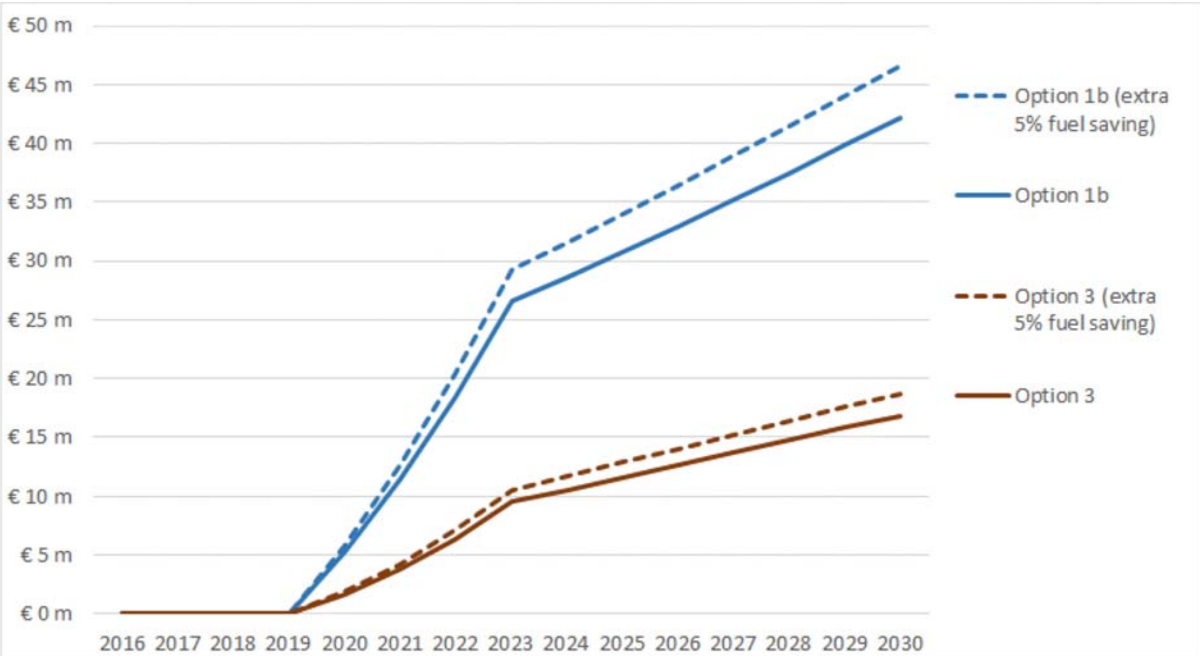
Figure 4-4: Summary of total annual operating cost savings for HGVs in the EU28 over baseline for all policy options (except Option 2)



Note: The slope changes in 2023 as all policy options are presumed to be phased in between 2020 and 2023 and only take full effect from 2023 onwards. Option 3 should be read as Option 2.

Source: Ricardo (2017).

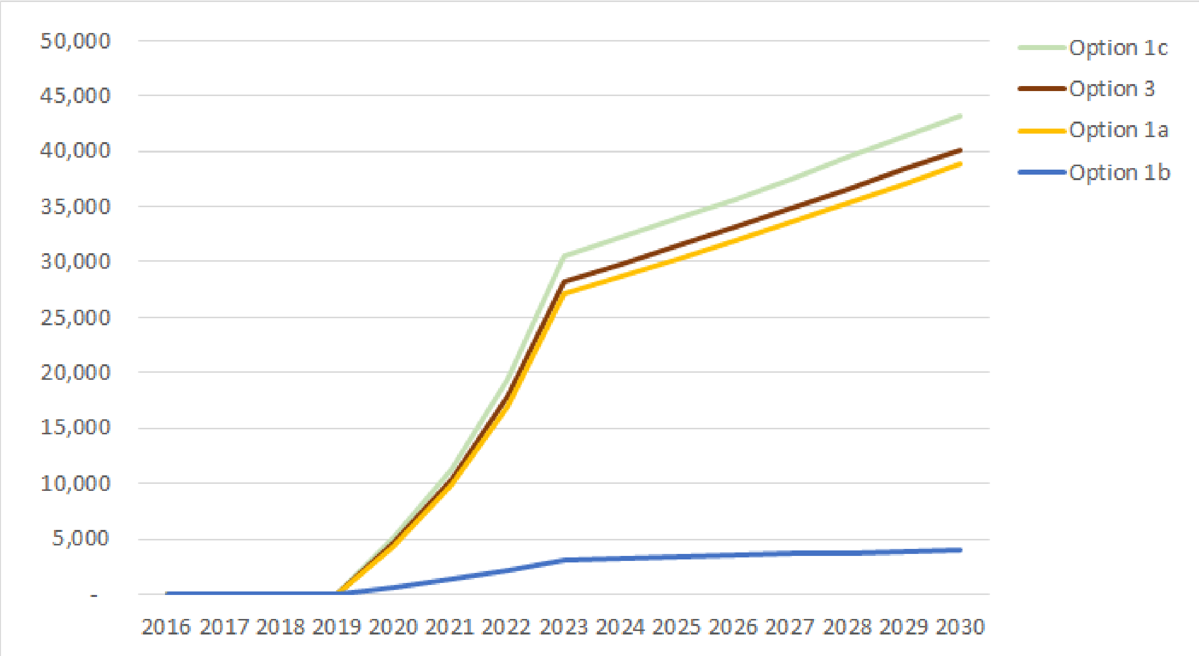
Figure 4-5: Summary of total annual operating cost savings for LCVs in the EU28 over baseline for all relevant policy options



Note: The slope changes in 2023 as all policy options are presumed to be phased in between 2020 and 2023 and only take full effect from 2023 onwards. As Option 1a only affects HGVs, there is no impact on LCVs. The cost savings for Option 1c are hence the same as those for Option 1b. Option 3 should be read as Option 2.

Source: Ricardo (2017).

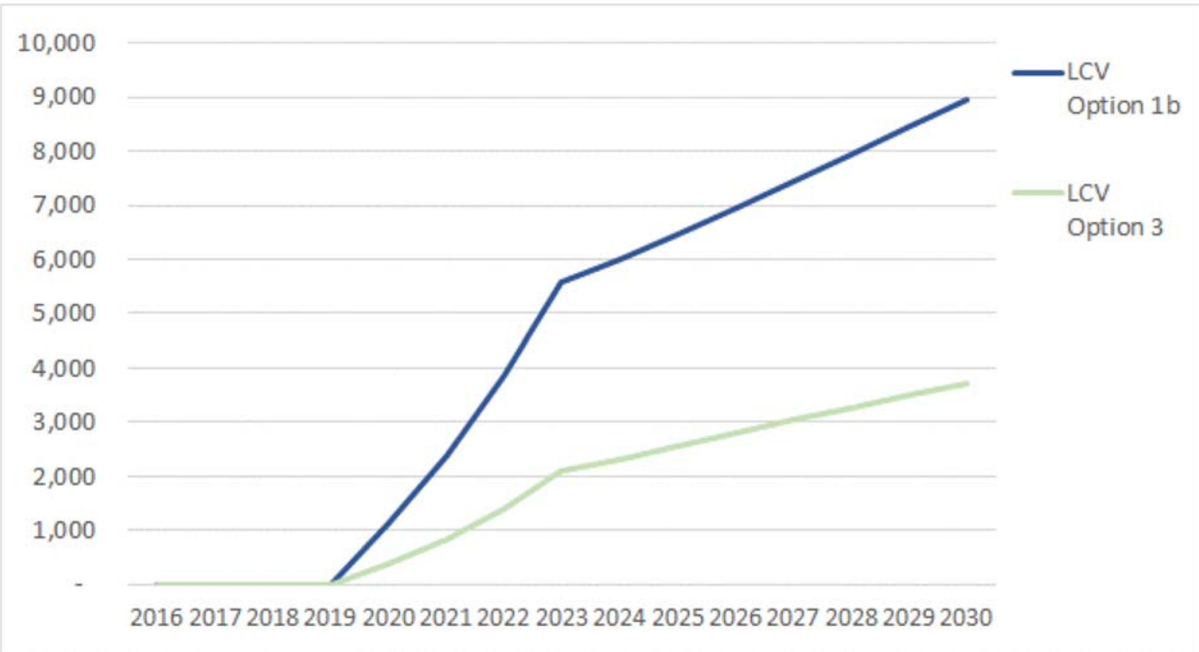
Figure 4-6: Number of HGV replaced by hired vehicles over baseline (data for EU28)



Note: Option 3 should be read as Option 2.

Source: Ricardo (2017).

Figure 4-7: Number of LCV replaced by hired vehicles over baseline (data for EU28)



Note: Option 3 should be read as Option 2.

Source: Ricardo (2017).

Table 4-2 - EU-28 level overview of estimated losses in taxation revenues in 2030 from reduction in goods vehicle stock due to intensified use of hired vehicles

Option	Rental fleet	Stock replaced by rental fleet	Net reduction in stock	Net reduction in stock over baseline	Weighted average tax per vehicle	Total loss in tax revenues
LCV Baseline	2,334,088	2,593,431	259,343	-	-	-
LCV Option 1b	2,334,088	2,602,382	268,294	8,950	€306	€3 mio
LCV Option 2	2,334,088	2,597,150	263,062	3,719	€249	€1 mio
HGV Baseline	543,454	603,838	60,384	-	-	-
HGV Option 1a	578,413	642,681	64,268	3,884	€1,115	€4 mio
HGV Option 1b	543,454	607,844	64,390	4,006	€926	€4 mio
HGV Option 1c	578,413	647,058	68,646	8,262	€1,491	€8 mio
HGV Option 2	578,413	643,960	65,548	5,164	€1,072	€6 mio

Source: Ricardo (2017).

Table 4-3 - EU-28 level overview of estimated gains in corporate tax revenues in 2030 from operating cost savings (/ extra profits) due to the intensified use of hired vehicles

Option	Transport operators' cost saving in 2030		Hire/rental companies' extra profits		Effective average tax rate	Increase in average taxation revenues
	LCVs	HGVs	LCVs	HGVs		
Option 1a	€0	€31 mio	€0	€65 mio	27% (4 MS)	€26 mio
Option 1b	€45 mio	€29 mio	€9 mio	€7 mio	21% (avg. for 17 MS)	€19 mio
Option 1c	€45 mio	€60 mio	€9 mio	€72 mio	21% (avg. for 17 MS)	€39 mio
Option 2	€17 mio	€41 mio	€4 mio	€68 mio	21% (avg. for 17 MS)	€27 mio

Source: Ricardo (2017).

Table 4-4 - Summary of the environmental impacts of the policy options in 2030 for the EU28 for LCVs and HGVs (incl. assumed 5% improvement in fuel efficiency)

Option	Share replaced by rental vehicles in 2030	Improvement NOx, PM and CO2 performance of rental fleet	Emission savings from rental vehicles	Savings over baseline
LCV Baseline (extra 5% fuel saving)	8.70%	5.83%	0.5074%	-
LCV Option 1b (extra 5% fuel saving)	8.73%	5.83%	0.5092%	0.0018%
LCV Option 2 (extra 5% fuel saving)	8.71%	5.83%	0.5082%	0.0007%
HGV Baseline (extra 5% fuel saving)	9.96%	5.28%	0.5257%	-
HGV Option 1a (extra 5% fuel saving)	10.60%	5.28%	0.5595%	0.0338%
HGV Option 1b (extra 5% fuel saving)	10.07%	5.28%	0.5292%	0.0035%
HGV Option 1c (extra 5% fuel saving)	10.72%	5.28%	0.5634%	0.0376%
HGV Option 2 (extra 5% fuel saving)	10.62%	5.28%	0.5607%	0.0349%

Source: Ricardo (2017).

Table 4-5 - Estimating the overall number of hired (= rented and leased) commercial vehicles in the EU28

Member State	Mature / developing market	Leaseurope data [1]: stock of hired (= rented and leased) goods vehicles in 2015		Eurostat data [2]: overall stock of goods vehicles		Calculated share of hired (= rented and leased) goods vehicles		Overall stock of hired (= rented and leased) goods vehicles (incl. gap-filled estimates)	
		LCV	HGV	LCV	HGV	LCV	HGV	LCV	HGV
BE	m			656 000	145 000			78 130	30 628
BG	d			261 000	106 000			6 650	10 245
CZ	d	43 200	54 600	468 000	136 000	9.0%	40.0%	43 200	54 600
DK	m	75 400	30 100	396 000	41 000	19.0%	73.0%	75 400	30 100
DE	m	314 800	209 100	1 986 000	776 000	16.0%	27.0%	314 800	209 100
EE	d	11 400	8 200	52 000	36 000	22.0%	23.0%	11 400	8 200
IE	d			283 000	27 000			7 211	2 610
EL	d	900	3 600	840 000	280 000	0.0%	1.0%	900	3 600
ES	d	111 900		4 475 000	671 000	3.0%		111 900	64 854
FR	m	535 700	84 300	6 257 000	534 000	9.0%	16.0%	535 700	84 300
HR	d			90 000	49 000			2 293	4 736
IT	m	231 000	115 600	3 385 000	759 000	7.0%	15.0%	231 000	115 600
CY	d			97 000	17 000			2 472	1 643
LV	d			40 000	37 000			1 019	3 576
LT	d			51 000	79 000			1 300	7 636
LU	m			30 000	10 000			3 573	2 112
HU	d			331 000	147 000			8 434	14 208
MT	d			2 000	40 000			51	3 866
NL	m	132 200		828 000	135 000	16.0%		132 200	28 516
AT	m			341 000	76 000			40 613	16 053
PL	d	34 900	50 000	2 303 000	898 000	2.0%	6.0%	34 900	50 000
PT	d	23 600		1 225 000	88 000	2.0%		23 600	8 505
RO	d			492 000	228 000			12 536	22 037
SI	d			54 000	31 000			1 376	2 996
SK	d	18 000	22 200	209 000	84 000	9.0%	26.0%	18 000	22 200
FI	m	46 000	46 000	411 000	109 000	11.0%	42.0%	46 000	46 000
SE	m			516 000	80 000			61 456	16 898
UK	m	689 500	90 500	3 736 000	506 000	18.0%	18.0%	689 500	90 500
Developing market average	d	243 900	138 600	11 273 000	2 954 000	2.5%	9.7%	287 242	285 512
Mature market average	m	2 024 600	575 600	18 542 000	3 171 000	11.9%	21.1%	2 208 373	669 808
Total		**2 268 500**	**714 200**	**29 815 000**	**6 125 000**	**8.4%**	**15.6%**	**2 495 615**	**955 320**

Note: **Green** values are estimates of leased vehicle stock based on total MS vehicle stock multiplied by average share of leased vehicles for developing markets; **red** values are estimates of leased vehicle stock based on total MS vehicle stock multiplied by average share of leased vehicles for mature markets.

Sources: [1]: Leaseurope annual members' survey, data for 2015. [2] Eurostat – sum of stock of road tractors, and lorries (payloads <1,500 kg for LCVs <3.5t GVW) for 2012 or 2013. Gaps in Eurostat data for BE, DK, FR, EL, HU, LT, LU, NL, PT, SK, SE, UK were filled using national sources from the years 2010-2016 using the latest year available.

Table 4-6 - Estimating the number of renting and operating leasing vehicles in the EU28

Member State	Mature / developing market	Share of renting and operating leasing among all hired goods vehicles [1]	Estimate of goods vehicles held under renting and operating leasing contracts		Overall stock of goods vehicles under renting and operating leasing contracts (incl. estimates)	
			LCV	HGV	LCV	HGV
BE	m		-	-	48 265	12 861
BG	d		-	-	1 201	1 841
CZ	d	19%	8 383	10 595	8 383	10 595
DK	m	17%	12 641	5 046	12 641	5 046
DE	m	21%	66 037	43 864	66 037	43 864
EE	d	20%	2 235	1 607	2 235	1 607
IE	d		-	-	1 302	469
EL	d		-	-	162	647
ES	d		-	-	20 203	11 654
FR	m	100%	535 700	84 300	535 700	84 300
HR	d		-	-	414	851
IT	m	36%	83 941	42 007	83 941	42 007
CY	d		-	-	446	295
LV	d		-	-	184	643
LT	d		-	-	235	1 372
LU	m		-	-	2 207	887
HU	d		-	-	1 523	2 553
MT	d		-	-	9	695
NL	m	74%	98 014	21 142	98 014	21 142
AT	m		-	-	25 089	6 741
PL	d		-	-	6 301	8 985
PT	d		-	-	4 261	1 528
RO	d		-	-	2 263	3 960
SI	d		-	-	248	538
SK	d	14%	2 490	3 071	2 490	3 071
FI	m		-	-	28 416	19 316
SE	m		-	-	37 964	7 096
UK	m		-	-	425 934	38 002
Developing market average	d		*18%*	*18%*	51 861	51 304
Mature market average	m		*62%*	*42%*	1 364 208	281 263
Total			**59%**	**38%**	**1 416 069**	**332 567**

Note: **Green** values are estimates of operating leasing stock based on total MS leasing stock multiplied by average share of operating leasing for developing markets; **red** values are estimates of operating leasing stock based on total MS leasing stock multiplied by average share of operating leasing for mature markets.

Source: [1]: Leaseurope annual members' survey, data for 2015.

ANNEX 5

SME TEST

(1) Consultation with SMEs representatives	SMEs have been contacted throughout the process. As the sectors concerned by this initaitive predominantly (>99%) consist of SMEs, they could bring in the views during the stakeholder consultation in the second half of 2016, during the open public conultation (12 weeks from 11 August till 4 November 2016) and during the consultation of the SME panel of the Enterprise Europe Network (7 weeks from 22 September till 11 November 2016). The SME panel questionnaire has been translated in all languages of the EU. Two questionnaires were prepared, one about the hiring of goods vehicles and the other about the hiring of buses and coaches. A total of 156 responses have been received for the first one, 94 for the second one.
(2) Preliminary assessment of businesses likely to be affected	Two categories of SMEs are likely to be most affected by the initiative: SMEs in the road haulage sector and SMEs in the vehicle rental / leasing sector. SMEs from other economic sectors in EL, IT, ES and PT carrying out own-account transport operations will also be affected as they will have the possibility to hire goods vehicles. As SMEs are particulalry credit-constrained, the option of hiring or leasing a goods vehicles instead of buying it is of particular relevance for them.
(3) Measurement of the impact on SMEs	The impacts on companies in the road haulage and the vehicle renting / leasing business (>99% SMEs) is given in sections 6.1.1 and 6.1.2 of the main text. Own-account operators in EL, IT, ES and PT stand to benefit from the initiative in terms of lower costs, increased flexibility and higher productivity. Some stakeholders (among which trade union representatives) believe that allowing the hiring of goods vehicles for own account operators and in other Member States will benefit the bigger companies rather than the smaller ones. Smaller operators would have to suffer from increased competititive pressure. However, no-one prevents them from also using hired goods vehicles and benefit from the related advantages.
(4) Assess alternative options and mitigating measures	At the end of the impact assessment, there was no indication that the preferred option might result in a disproportionate burden for SMEs. Consequently, there is no element showing the need for SME specific measures in order to ensure compliance with the proportionality principle.

ANNEX 6

THE ROAD INITIATIVES - THE 'BIG PICTURE'

INTRODUCTION

The Road Initiatives, which are all REFIT Initiatives, are fully inscribed in the overall priorities of the Juncker Commission notably under the 'A deeper and fairer Internal Market' and the 'Climate and Energy Union'.

The Communications from the Commission on 'Upgrading the Single Market: more opportunities for people and business' (COM(2015) 550 final) and on 'A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy' (COM(2015) 80 final) explicitly refer to the Road Initiatives.

The table below presents the link between the Juncker priorities, the Impact Assessments prepared for the Road Initiatives and the related legislative acts.

Priorities	IAs	Legislation
A deeper and fairer Internal Market	Hired vehicles	Directive 2006/1
	Access to the haulage market and to the Profession	Regulation 1071/2009 & 1072/2009
	Social aspects: Driving/rest time, working time and enforcement measures (tachograph), Posting of workers and enforcement measures	Regulation 561/2006 and Regulation 165/2014
		Directive 96/71, Directive 2014/67, Directive 2002/15 and Directive 2006/22
	Access to the market of buses and coaches	Regulation 1073/2009
Climate and Energy Union	Eurovignette	Directive 1999/62
	European Electronic Toll Service (EETS)	Directive 2004/52
		Commission decision 2009/750

Moreover, the transport strategy of the Commission as laid down in the White Paper "Roadmap to a Single European Transport Area - Towards a competitive and resource efficient transport system" adopted on 28 March 2011, included references to the road initiatives[81].

THE EU ROAD TRANSPORT MARKET

Road transport is the most prominent mode of transport. In 2014, almost three quarters (72%) of all inland freight transport activities in the EU were by road. On the passenger side, the relative importance of road as mode of transport is even greater: on land, road accounts for more than 90% of all passenger-kilometres: 83% for passenger cars and almost 9% for buses and coaches.

[81] More specifically in the Annex under points 6, 11 and 39

Almost half of the 10.6 million people employed in the transport and storage sector in the EU are active in carrying goods or passengers by road. Road freight transport services for hire and reward employs around 3 million people, while the road passenger transport sector (buses, coaches and taxis) adds another 2 million employed persons (a third of which are taxi drivers). This corresponds to more than 2.2% of total employment in the economy and does not include own account transport which in road freight transport alone provides employment for 500,000 to 1 million additional people.

There are about 600,000 companies in the EU whose main business is the provision of road freight transport services for hire and reward. Every year, they generate a total turnover of roughly €300 billion, around a third of which is value added by the sector (the rest being spent on goods and services from other sectors of the economy). The provision of road freight transport services for hire and reward is hence an important economic sector in its own right, generating almost 1% of GDP.

In road passenger transport, there are about 50,000 (mostly) bus and coach operators (of which 12,000 provide urban and suburban services, (some including tram and underground)) and around 290,000 taxi companies in the EU. Together, they generate a turnover of €110 billion. Without taxis, total turnover of the sector is around €90 billion per year, of which some €50 billion is value added.

WHY IS THERE A NEED FOR ACTION?

Road transport is for a large part international (around 34%[82]) and this share is increasing, which explains the need for a common EU legal framework to ensure efficient, fair and sustainable road transport. The framework covers the following aspects:

- Internal market rules governing access for operators to the markets of freight and passengers
- Social rules on driving/rest time and working time to ensure road safety and respect of working conditions and fair competition
- Rules implementing the user and polluter pays principles in the context of road charging
- Digital technologies to enable interoperable tolling services in the EU and to enforcement EU rules (e.g. the tachograph)

It is clear that current rules are no longer fit for purpose. Member States are increasingly adopting own national rules to fight "social dumping" while acknowledging that their actions have adverse effects on the internal market. Moreover, public consultations have shown a strong support for EU action to solve current issues in road transport. For example:

- Severe competition in the road transport sector has led many operators to establish in low-wage countries without necessarily having any business activity in these countries. There is a lack a clear criteria and enforcement mechanisms to ensure that such establishment practises are genuine, and that there is a level playing for operators.

82 Statistical Pocketbook 2016, EU Transport in figures

- Measures on Posting of Workers implemented in 4 Member States (DE, FR, AT and IT) are all different and obviously from other Member States which have not implemented any measure to implement the minimum wage to road transport on their territory. Stakeholders ask for a common set of (simplified) enforcement rules.
- CO2 emissions from road transport represent a large share of total emission and the share is set to rise in the absence of common action (at EU 28 level), which is needed to contribute substantially to the commitment under the Paris Agreement and to the 2030 goals.
- Due to the increasingly more and more hyper-mobile nature of the sector, there is a need for common and enforceable rules for workers. All workers should benefit from the same level of protection in all Member States to avoid social dumping and unfair competition between hauliers. This is currently not the case.

WHAT ARE THE MAIN PROBLEMS?

The Internal market for road transport is not complete. It is our assessment that the current situation does not allow to exploit the full potential of transport services

- e.g. current rules on bus/coach services or the rules on hired vehicles are still very restrictive. Some Member States have decided to unilaterally open their market, which has led to a fragmentation of the EU internal market.

Many rules are unclear, therefore leading to different levels of implementation by Member States and problems of enforcement:

- e.g. on cabotage where all stakeholders agree that current rules are unenforceable.

There are allegations of 'social dumping' and unfair competition in the road transport sector. This has led to a division between East and West in Europe. As a consequence, several Member States have decided to take national measures, which might jeopardize the unity of the EU market for road transport:

- e.g. minimum wage rules in DE, FR, IT and AT coupled with disproportionate administrative requirements ; prohibition of drivers taking the weekly rest in the cabin of vehicles in FR and BE.

Environmentally, we have made good progress in reducing pollutants from heavy goods vehicles but our legal framework currently does not address the issue of climate change (CO2). At the same time, the infrastructure quality is degrading in the EU although user charges and tolls are levied on most motorways and other TEN-T roads.

Electronic tolling systems in the EU are still far from being interoperable, despite the primary objective of EU legislation of establishing "one contract/one on-board unit/one invoice" for the users. More generally, the benefits of digitalisation are still under-exploited in road transport, in particular to improve control of EU legislation (e.g. many Member States do not currently allow the use of electronic waybills).

OPTIONS AND MAIN IMPACTS

To achieve these objectives, all IAs will consider a range of different options, which ultimately should improve the efficiency, fairness and sustainability of road transport.

The IA on Hired Vehicles will assess options aiming at removing outdated restrictions on the use of hired goods vehicles and thus at opening up new possibilities for operators and leasing/hiring companies alike. More flexibility for the hiring of vehicles should lead to more efficient operations, higher productivity and less negative environmental impacts as fleet renewal will be promoted.

The IA on Access to the haulage market and to the Profession will study various options to ensure effective and consistent monitoring and enforcement of the existing rules in Member States and to ensure coherent interpretation and application of the rules. Three broad groups of potential measures will be assessed, namely measures liable to improve enforcement, measures ensuring simplification and clarification of current rules and measures reinforcing the cooperation between Member States.

The IA on Access to the market of buses and coaches will assess options aiming at improving the performance of coach and bus services vis-a-vis other transport modes, especially private car and further developing the internal market for coach and bus services. This should lead to a reduction of the adverse environmental and climate effects connected with mobility. Various policy options will be considered for creating more uniform business conditions and also a level playing field for access to terminals.

The IA on Social aspects of road transport will study options aiming at ensuring the effectiveness of the original system put in place and therefore contributing to the original policy objectives, i.e.: (1) to ensure a level playing field for drivers and operators, (2) to improve and harmonise working conditions and (3) to improve road safety. An additional objective, in the context of the implementation and enforcement of the provisions on posting of workers, is to ensure the right balance between the freedom to provide cross-border transport services and the protection of the rights of highly mobile road transport workers. In this perspective, three broad groups of measures will be analysed: 1. Simplification, update and clarification of existing rules, 2. More efficient enforcement and cooperation between Member States and 3. Improved working conditions of drivers and fair competition between operators.

The IA on the Eurovignette Directive will assess options to promote financially and environmentally sustainable and socially equitable (road) transport through a wider application of the 'user pays' and 'polluter pays' principles. A number of different measures and their variants aiming at correcting price signals in freight and passenger transport will be considered in order to address the issues identified. The policy options range from minimum adjustments to the Directive required for improving its coherence and addressing all policy objectives, through the promotion of low carbon (fuel efficient) vehicles and the phasing out of time-based charging schemes (vignettes) for trucks to the optimisation of tolls for all vehicles.

The IA on EETS (European Electronic Tolling Service) will study options aiming at reducing the cost and the burden linked to the collection of electronic tolls in the EU – for users and for society at large. It will equally seek to improve the framework conditions for the faster and more widely provision of an interoperable European Electronic Toll Service. Different policy options will be considered, including a non-legislative approach (facilitating exchange of best practice, co-financing EETS-related projects) and a legislative review.

These policy options and their impacts will be presented and assessed in detail in the respective IAs.

EXPECTED SYNERGIES OF THE PACKAGE

The different initiatives constitute a coherent set of measures which will jointly contribute to an efficient, environmentally and socially sustainable road transport sector. It is expected that the combined impacts will be more than the addition of the impacts of each initiative, meaning that the initiatives are complementary. Some examples of such synergies are provided below.

- Current restrictions on cabotage are unclear and therefore lead to illegal cabotage. These illegal activities are closely linked with the fact that transport operators established in low-wage countries exert unfair competition via 'social dumping' and not respecting the rights of workers, who often are staying in their trucks abroad for longer periods. This illustrates the clear link between compliance of internal market rules and social/fair competition aspects of road transport, which are all addressed by the road initiatives and which cannot be dealt with separately.

- When assessing the laws applying a national minimum wage to road transport, Member States explained the Commission that one of the reasons for adopting these national measures is to fight the phenomenon of fake establishments and “letterbox” companies in low-wage countries. Tackling the issue of posting of workers in road transport goes therefore hand in hand with the issue of establishment of road transport operators, which again illustrates the link between internal market and social aspects of road transport.

- Promoting interoperability of electronic tolls systems will lead to lower implementation costs of such systems by Member States. We can expect that this will incentivise Member States to put in place distance-based tolls, which better reflect the user and polluter pays principles. This shows the close link between the Eurovignette and EETS initiatives.

- Seeking to improve the performance of coach and bus services vis-a-vis other transport modes will inevitably lead discussion on a level playing between road and rail services. Current EU legislation provides that rail users shall pay for the use of infrastructure, while it is not currently the case for buses and coaches which are outside the scope of the Eurovignette directive. The inclusion of buses and coaches in the Eurovignette initiative to ensure that they pay a fair price for using the road infrastructure is therefore essential and will ensure overall coherence.

- The initiative on hired vehicles is in particular related to the initiatives on the access to the market and to the profession, all having the aim of establishing clear and common rules for a well-functioning and efficient Internal Market for road haulage : some of them by ensuring a good functioning of the market of transport services, others by ensuring the best use of the fleet of vehicles.