

Ministerie van Verkeer en Waterstaat

To
The president of the Lower House of the States
General
Binnenhof 4
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Date
27 june, 2008

Our ref.
VEW/DGP-2008/6478

Subject
Anders Betalen voor Mobiliteit (Different Payment for Mobility) Partial implementation
decision based on Implementation Plan for Road Pricing System

Dear President,

On May 30, 2008, I offered the Basic Report on 'Different Payment for Mobility' (Anders Betalen voor Mobiliteit/ABvM) to the Lower House and devoted attention to the various major decision-making points in the coming years. I indicated that I would aim for a partial implementation decision for the summer as the next go/no-go moment for the elements of the road pricing system that are time-critical in relation to the desired introduction date for goods transport in 2011 and the rollout for passenger transport in the years immediately following. These are elements resulting even in the short term to activity such as tenders and the creation of a certification system and which are accompanied by substantial expenditures. Specifically, I am asking for your assent to the organisational model, the outlines of the operational requirements, the tendering strategy – and with it, an announcement in the EU's Official Journal for tendering the time-critical elements of the road pricing system – as well as commencement of the certification and testing programme. This will set out an initial directional choice regarding further elaboration of the road pricing system. In this letter, I will describe the main principle of the implementation as I envisage it and indicate the decisions that together will ensure a prompt and careful step on the introduction trajectory. Finally, I will present an outlook in terms of the subsequent go/no-go moments. The underlying documents present the elaborated Implementation Plan for Road Pricing System, including the appendices. On 2 July, I hope to discuss this implementation with the Lower House so that the time-critical components can be set in motion in anticipation of implementation.

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Partial implementation decision:

Organisational model

- In terms of timeliness combined with the explicit wish to use ongoing competition between market parties in view of the cost of the road pricing system, my aim in terms of an organisational model is to achieve a market for multiple certified service providers. The aim is to make this the main track. I will challenge the market to achieve this jointly in the coming years. I will also work on a 'guarantee track'; as well as a fallback option, consisting of a dedicated back office operating under public governance, combined with certified vehicle equipment. Since the responsibility for timely introduction is mine, I will invest in both tracks at the same time, so that introduction of road pricing, predicted for 2011, is guaranteed at all times.
- This establishes the organisational model. In the coming months, I will have further research carried out into the option of having collection and compulsory collection in the multiple service provider (MSP) model carried out by private parties (MSP end-to-end).
- I will also have public governance, including enforcement and supervision, elaborated further so that it is clear during certification and tendering which role I envisage for public parties.
- In the second half of this year, I will make a further decision based on the elaboration of options for collection and compulsory collection by market parties and the elaboration of public governance and I will inform the Lower House accordingly.

Operational requirements, tendering and certification and testing programme

- With a view to further preparations for elaboration and completion of the road pricing system, I have elaborated the operational requirements to the required level for the partial implementation decision. This has established the system in general terms. I would like to explicitly note that allowing the legislative and tendering processes to run in parallel means that major changes of scope are not possible under tendering legislation during the tendering process and will result in ongoing tenders being terminated, with all potential consequences for costs and timelines. In the next six months, the operational schedule of requirements will be elaborated further and prepared to be sent to the market (tendering documents).
- I will initiate a testing programme together with the time-critical elements for the required certification and tendering of parts of the road pricing system. Some of these components of the road pricing system will not actually be put into service and lead to investment costs until after the implementation decision planned for 2009. I am taking into account for now the administrative measure, to be decided for a timely start in terms of goods transport, whereby the vehicle equipment must be acquired by the state.

- For the steps I am taking based on this partial implementation decision (certification, tendering and testing programme), I am reserving a total of € 167 M within the Infrastructure Fund¹.
- In August, the advertisement will be placed in the EU Official Journal for the EU tender. Tender documents will be provided to market parties after additional audits at the end of the year.

BACKGROUND

In my opinion, implementing road pricing encompasses much more than just achieving a technical system that is able to calculate a price per kilometre instead of current fixed vehicle taxes. It is also about people and businesses gradually dealing with a different way of paying for mobility and about governments and road administrators that can incorporate its functioning in their mobility policy. Therefore I believe it is important to outline the total implementation strategy for you before I discuss the decisions currently needed to develop and roll out the technical portion. I will also describe the links to parts of the rollout that were, for example, already mentioned in the letter from the Secretary of State for Finance regarding the elimination of the tax. (BPM) (31305, no. 35).

VISION OF TOTAL IMPLEMENTATION

Final situation of national road pricing

The government previously decided that road pricing would be differentiated by time, place and environmental characteristics and that it would apply for both passenger and goods transport for driving in the Netherlands. Certain dates determine the configuration of the implementation as a whole. One important focus is the introduction of road pricing for goods transport, expected in 2011, linked to the start involving the first group of passenger cars and delivery vehicles one year later. The entire system will then be fully operational in 2016, when the motor vehicle tax (MRB) has been eliminated entirely (all other vehicles will be covered by the system)². Assuming that phasing out the BPM will not have any unforeseen effects, the BPM will be entirely eliminated two years after that as well. The rate per kilometre will then truly replace all fixed car taxes and will have an optimal effect in terms of improving accessibility and the environment. This will occur initially in the short term, for example, with road users using the roads at other times and driving less by seeking alternative means of transport. Gradually, effects will become also long-term, for example limiting distances between homes and workplaces.

Main implementation tracks

Various lines will run in parallel in the implementation of road pricing:

- Preparation and rollout in terms of tax restructuring;
- Preparation and rollout in terms of the technical system for road pricing;

¹ The Basic Report previously mentioned reserving € 150 M. The current reservation fits the total budget. This is separate from the € 100 M previously reserved for DPFM mobility projects.

² The European minimum level for the MRB for goods transport will remain in effect, of course.

- Developing the proposed road-pricing legislation;
- Preparation and rollout in terms of communication to road users closer to the time that the road pricing system will begin to function.

I also indicated in the government letter of 30 November 2007 that implementation will be reinforced by focusing on the ABvM mobility projects in the short term. Together with other governments and employers, much more attention will be devoted to alternatives to driving at peak times near major congestion areas. I expect this will first result in broader awareness among road users of the options for adapting behaviour in a rewarding manner when road pricing is ultimately a fact. This will then result in a contribution to relieving the congestion around major cities.

Steps

If I translate this into a step-by-step plan towards a complete rollout, I foresee four stages:

Mobility projects and making road pricing concrete (2008-2010)

Preparations have already begun for mobility projects in the short term. I am already seeing the interaction of governments, employers and market parties leading more and more to very creative and goal-oriented initiatives representing a significant step forwards in this area. A separate letter on the specific elaboration of the policy line for the DPFM mobility projects will be sent to the Lower House at the same time as this letter. Support for the mobility projects is linked to the initiatives of the Mobility Management Task Force, in which employers and governments (including regional governments) are proceeding together. I previously announced that I would make € 100 million available for this. The mobility projects, to be carried out starting in 2009, will immediately provide alternatives for participating road users to driving at peak times. I believe, however, that its effect can be greater. Therefore I believe it is important to highlight the results of these projects regularly in the coming years so that they will also inspire other people and businesses to make a transition themselves.

The mobility projects are not only important to road users but to market parties. This is because the projects offer the opportunity to try innovative technologies (such as satellite technologies) and to develop related new additional value-added services (VAS). The mobility projects are therefore potentially the impulse behind a new market of service providers that may also play a part later in the implementation of the system required for road pricing. I will address this again later in this letter.

During the same period, the technical system for road pricing will be elaborated and developed further. It will initially be configured by means of specific technical tests to define the set requirements and to define certain interfaces precisely. This includes various options to further increase reliability or security, for example. After the proposal law is handled in the Lower House and an implementation decision is made, large-scale practical tests are scheduled to determine whether the system is able to serve large numbers of road users. This not only requires the technology to work well; involving test people or businesses in the test will also

place demands on communication. The practical tests are therefore very valuable to test communication with road users regarding the rollout of the system, which will no longer involve only a few thousand road users, but virtually the entire population of the Netherlands. The partial implementation decision I wish to make at this time focuses on technical elaboration, performing tests aimed at the requirements and preparing the volume test.

Another component that will be finalised in the next few years is the exact rate system, including levels and locations for the peak rate. The framework for this will be formed by the proposed road pricing law currently in development, which I hope to be able to discuss with the Lower House in 2009. On one hand, this proposed law will set the basic rates (including environmental differentiation) for the road pricing in addition to a bandwidth and a decision-making process for determining the rates and the exact locations of the peak rate. At a later date, the peak rate and locations where the rate will apply will be determined by order in council. After Parliament assents to the proposed law, the various decentralised road administrators and other parties involved can then make specific proposals, using updated network analyses, for example, in terms of the locations for the peak rate in the coming years. I will identify the roles of the various governments, road administrators and other interested parties more precisely in the proposed law.

Model studies already indicate that varying peak rates depending on the level of congestion is the optimal approach. With a view to ensuring the smoothest possible rollout, my aim for now is to keep the peak rate simple in the early years by maintaining the same level throughout the country and working with more customised varying rates later, based on experience acquired.

When the proposed law is approved, large-scale communication with the public will begin. Initially, this will continue in particular along the current line, with particular attention to the origin of road pricing and the underlying principles, then becoming more and more concrete regarding rates, rate locations and actions that may be expected of road users themselves to be able to participate in the new system. I highly rate a sober and especially informative style of communication. This also emerges from experiences abroad, in which providing 'operational information' worked particularly well as opposed to large campaigns seeking to convince people of the positive aspects of pricing policy.

In this period, as agreed, the BPM will be converted into the MRB by 5% annually to facilitate the introduction of road pricing. This process will continue through to 2012.

The situation for road users and businesses in the early years will therefore be determined by:

- the focus on changing road users' behaviour to avoid rush hour through short-term mobility projects;

- offering market parties opportunities to try out relevant technologies and additional services through the mobility projects that will be useful when the road pricing system is implemented;
- making the technical road pricing system concrete by means of tests;
- determining the initial locations for the peak rate;
- taking the first steps towards eliminating the MRB, the Euro vignette and the BPM, and the elimination of the provincial surcharges, for which a different taxation policy is being sought.

Rollout of the first part of the system (2011)

In 2011 there will be a greater transition that involves significantly more effort: after all, the starting point for goods transport is already anticipated. Specifically, this means that the first phase of the rollout will begin once an implementation decision is approved. Goods transport businesses will need to be approached for the acquisition and installation of the required equipment and at some point the rate per kilometre for goods transport will be collected, the Euro vignette treaty will be suspended and the MRB for goods transport will be reduced to the minimum set at the European level. This timeline is in parallel with the schedule for introducing road pricing in France, where everything is set up for introduction in 2011 as well.

A smooth start for goods transport requires the necessary effort to reach all businesses in the run-up period and to provide the correct information on what exactly is required of businesses and drivers. In terms of communication, projects abroad, such as previous tests in the Stockholm area and the introduction of the LKW-Maut, already provide a great deal of guidance. In advance of the implementation, potential border effects involving neighbouring countries will also be examined, including effects in terms of traffic.

Rollout of the entire system (2012-2016)

Attention will be focused on passenger transport even before the first vehicles participate in road pricing in 2012. Large-scale technical tests and the goods transport starting point will create the necessary interest among road users and good use can be made of the intervening year for total communication with the public, to be targeted at individual road users.

The technical rollout for passenger cars that is optimal in fiscal terms and also aligned with what is possible was previously described in the letter from the Secretary of State for Finance of 30 May 2008 (31305, no. 35). Particularly important in considerations regarding the rollout is the idea that no legal inequality should arise, while preventing evasive behaviour or tactical actions by groups of road users. During the rollout, the first two digits of the registration number determine which registration holders of Dutch passenger vehicles and delivery vehicles are to begin participating in the road pricing system. New groups to participate are repeatedly designated and the composition of each new group to be included will therefore be a mix of all existing vehicle types and ages. This means that each new group of road users participating in the new system will be

very diverse in terms of average annual distance driven, fuel type, weight class, geographical distribution and age. The specific elaboration involves an examination of methods to enable a rollout with the greatest possible user-friendliness and the least possible administrative burdens.

In his letter of 30 May 2008, the Secretary of State for Finance also described the significance of this method of gradual growth (technical and otherwise) in terms of rates for road pricing for road users already participating in the new road pricing system in relation to the level of MRB for people still covered by the old tax system and in relation to the BPM then remaining. This therefore involves the fiscal rollout with regular checks, in line with other system changes, to ensure that there are no unforeseen effects in terms of support, purchasing behaviour, the environment, prosperity and state revenue. It is important in this respect that two systems will be in effect, side by side, during the entire rollout period. This will require very careful and accurate communication to road users, who are gradually moving over from the old tax system to the new system. This element will be addressed early on in broad communication to the public.

During the consultation with the Lower House regarding the letter from the Secretary of State for Finance, scheduled to take place soon, this structure will be discussed in more detail.

Completion (2016-2018)

The completion phase will be formed by the elimination of the last portion of the BPM. Starting in 2016, all vehicles will be participating in the road pricing system and the MRB will no longer exist except for the minimum for goods transport as required by European law. In this period, there will be only two final steps phasing out the BPM by 12.5%. In accordance with the proposal by the Secretary of State for Finance, this will be directly incorporated in an increase in the road pricing rates in 2017 and 2018.

As of 2016, the peak rates will generally apply to all vehicles. By then, initial experience with the peak in the *Noordvleugel* will have been acquired in the preceding period. This is also the point at which passenger cars owned by non-residents with foreign registration can be incorporated in the Dutch system.

IMPLEMENTATION PLAN FOR ROAD PRICING SYSTEM

Core of partial implementation decision

As I outlined above, the first phase of the implementation consists of a number of parallel activities, with the core of this partial implementation decision formed by the preparations for developing and building the technical system. At this time, these activities are the time-critical elements of the total timeline for introducing road pricing.

Below, I will first provide an overall outline of the required system before addressing the distribution of responsibilities and tasks (organisational model) and the requirements for

technology and organisation. I will then transpose the choices in this area to activities aimed at the actual structure of the system.

Outline of system components

In the government letter of 30 November 2007 (31305, no. 1) and the underlying document titled '*Starten met de Kilometerprijs (Making a Start on a Price per Kilometre)*', I previously provided a general overview of the fixed components in a system to collect a price per kilometre. This concerns, in order:

- recording the number of kilometres driven;
- transferring trip data or final totals to a processing centre (back office);
- calculating the amount to be paid (billing);
- collecting that amount from the road user;
- customer service for the road user;
- enforcement and supervision as a safety net for the system, in part to assure the equality of all users before the law.

Each component involves further requirements for the technologies to be used or the services to be provided and the type of party to which such a task is assigned or contracted must also be determined. The implementation plan will address this further in particular.

ORGANISATIONAL MODEL

Different models are possible

A crucial element of the partial implementation decision is the choice of organisational model (also known as the market model). This is because it makes a statement on the degree to which and the means by which private and public parties are assigned a role in the implementation of the system for road pricing. The choice influences the ultimate cost of the system and, for example, punctual delivery, as well as the subsequent steps towards tendering or certification of products and services needed to make the entire system operational, such as enforcement and collection.

My aim is to be able to involve market parties where possible in implementing road pricing with a view to competition and the desired cost level. In the aforementioned letter of 30 November 2007, I referred to three possible organisational models that were investigated at the time by means of a Public Private Comparitor (PPC) and which to a greater or lesser degree involve the use of market parties:

- single service provider model (SSP): a single provider creates the entire technical system for road pricing. It receives remuneration from the state for this and as a monopoly holder it cannot develop additional services. This resembles the situation in Germany for the LKW-Maut;
- multiple service provider model (MSP): multiple providers serve road users and compete on cost but also on additional services and quality. This partly resembles the current market for mobile telephony. Other different variants are possible within this model. For example, either only recording and processing trips may be open to multiple providers, or the entire system including collection and

compulsory collection can be assigned to multiple providers. The latter is referred to as an 'MSP end-to-end' model;

- a dedicated back office with a certification process for vehicle equipment (DBO). This involves a single central collection organisation and during operation there is primarily competition between different providers of vehicle equipment.

In the letter of 30 November 2007, I indicated that the latter two models were preferable for now because more innovation and market dynamics would be expected from them during the operation of the system.

In recent months, I had additional research carried out on the strengths and weaknesses of the various organisational models in the form of an update to the PPC. This not only involves the cost but also delivery security, manageability and sustainability as important issues. In this, I am seeking a balance between the desire to ensure continual cost reduction by means of competition during the operation of the system and the desired certainty of being able to begin to collect a price per kilometre for the initial groups of vehicles in 2011. A fourth organisational model was therefore added to the research, combining the two preferred models into one that may achieve the desired balance. I presented this model, based on both MSP and DBO with certified vehicle equipment, in the Basic Report on ABvM as a provisional working hypothesis in order to be able to provide the Lower House with an insight, using this example, into the cost estimates and timeline of the project.

Part of updating the PPC involves a quantitative calculation that also indicates the degree to which the choice affects the ultimate costs of the system, i.e., its affordability. The scores achieved by the models on the criteria of robustness and sustainability have also become clearer. For models for which it was relevant, the effect of the emergence of additional services (value-added services – VAS) on the expected costs was also examined.

Effect of additional services on cost situation

The update to the Public Private Comparitor performed this year presents the following situation in terms of cost:

- In the case of cross-subsidisation by the development of VAS, the multiple service provider model achieves the best score, followed by the combined MSP/DBO model with a minimal difference in cost.
- In the case of disappointing development of additional services and/or the loss of the cross-subsidisation option, the combined MSP/DBO model is stronger than the MSP end-to-end model.

It was assumed that cross-subsidisation must be possible because offering the road pricing service to private parties ensures direct contact with a large group of road users. These road users must include large groups of potential clients for other services such as navigation and insurance by the kilometre. This cross-subsidisation makes a fee from the government to private providers redundant.

The positive situation in terms of developing additional services in addition to road pricing as an additional factor to limit the total cost of the system was contradicted during the review of this research in round-table discussions with market parties organised Connekt. These parties indicate that it is not certain that additional services will be developed to a sufficient extent and that cross-subsidisation should not be counted on for road pricing

and that a fee paid by the state for road pricing services is required. The consequence of this is that a price moderating effect on the total system cost cannot be assumed. Comparing this situation to the research results suggests that the multiple service provider model is less attractive compared to the combined model (MSP and DBO).

Main decision on organisational model

In view of the research results and the responses to them from market parties, I believe it is essential in terms of the main choice of organisational model for there to be a system that is completed on time and in which there is as much lasting competition as possible between various market parties. This competition is very important in terms of the cost level of the system and in view of the opportunities this offers for developing innovative applications aimed at ease of use for road users. The aim of lasting competition is the reason for my wish to aim for an open market with multiple providers. In terms of punctuality, the market parties have regularly assured me that it should be possible to begin in 2011. I do realise, however, that these statements provide no absolute guarantee for me or for the Lower House that a system will be operating on time on an open market, suited to serving millions of road users. It is irresponsible to proceed without a guarantee of punctual delivery and yet maintain the desired introduction date for goods transport in 2011. This results in my wish to aim for the timely availability of the required services by direct governance, with a view to delivery security. Working from my responsibility, therefore, I am consciously choosing to set two processes in motion:

- creating the basis for healthy competition between market parties during the operation of the road pricing system and where possible during the run-up, i.e., aiming for the multiple service provider system;
- creating the basis for a complete 'guarantee system', as with the main transport grid for electricity, that can immediately compensate for the absence or failure of the system provided by market parties. This will be done by adjusting the size of the system, depending on the development of the market. I am placing this second process under public governance so that I will have a grasp of the rate of development of this additional system, I can aim for timely delivery and I can also order that tasks no longer be performed if the market provides these tasks to a sufficient extent. This part of the system is configured as a dedicated back office with certified vehicle equipment. Here, too, there is already lasting competition in the form of an open market for multiple providers of vehicle equipment, forming a substantial portion of the total cost of the system.

The model I am actually hereby endorsing is comparable to the working hypothesis in the Basic Report on ABvM, except that here there is emphatically a process under public governance that depends in terms of its size on the degree to which the private market emerges.

The cost estimate in the Basic Report of 30 May 2008 is based on a central back office and can be considered representative because the cost structure of an MSP for the services for road pricing will be virtually the same except for market effects. Since the MSP model assumes the initiatives of the market, this model was not elaborated further for the Basic Report in terms of cost. With a view to creating a cautious cost estimate, the Basic Report

assumed the conservative scenario that the multiple service provider model will not come to be and the system must be implemented entirely under public governance.

Decision of exact division of tasks to follow

I previously indicated in brief that the MSP model in particular has several different variants regarding the number of tasks provided by private service providers. Earlier this year, when the Public Private Comparitor was updated, it was assumed that it would not be attractive to market parties to offer the entire chain from trip recording to compulsory collection, because of the amount of effort involved in collection, especially where compulsory collection will need to be accompanied by additional efforts. Recently, however, this view was contradicted within Connekt by some market parties and I have received other signals from developments in Europe regarding the European Electronic Toll Service (EETS). Where the end-to-end principle is implemented in EETS, the means by which the service providers warrant payment is being examined in addition to billing and client contact. Therefore there does seem to be interest in this collection task, including compulsory collection. It is still unclear whether this will fit the legal and financial regulations in effect and what consequences it will have for the emergence of any additional financial supervisory tasks to be assigned. A verdict on this issue is required to ensure that the market parties can prepare in time for services that they can offer in the future.

In terms of the timeline, however, a final choice of the exact tasks is not yet necessary. Therefore I believe it is very important to take enough time to make a careful consideration on this point as well, partly in view of the billions in community funds to be collected annually through the price per kilometre. Therefore I have ordered a further elaboration of the advantages and disadvantages of contracting out collection to market parties, including compulsory collection. I will also review the results of this additional research with relevant civil society organisations and market parties.

Concerning the other tasks, I consider enforcement and supervision to be government tasks by definition. Between now and the end of the year, I want to elaborate further the way in which I envisage public governance, including enforcement and required supervision.

REQUIREMENTS IN TERMS OF THE ROAD PRICING SYSTEM

Functional requirements

The ultimate requirements for the road pricing system are identical for both processes (the private process and the process under public governance). When the 2006 Cost Monitor was created, an operational schedule of requirements was already in use, ensuring that market parties still have enough space to determine their own technical configuration as long as it still results in the desired performance. This line of operational requirements will be maintained as much as possible. With crucial components, particularly certain interfaces, technical specifications will be included to guarantee that different components of different organisations can work together.

Decision on provisional determination for subsequent steps

The functional requirements are largely determined by the proposed road pricing law I am currently developing, which can be presented to the Lower House in late 2008/early 2009. Since I must now initiate preparations in view of the time-critical components of the project focusing on certification and tendering, I believe it is of great importance for you to be well informed of these requirements even at this stage. On presenting the Basic Report, I indicated that the parallel processes of legislation and tendering carry the risk that requirements not specifically mentioned until the proposed law is debated in the Lower House will have major consequences in terms of time and added cost. I would therefore prefer to receive additional ideas or wishes from the Lower House at this stage of the project so that I can include them with a minimum of effort and cost in further preparations for the certification and tendering processes. It is appropriate to make an explicit note here: under tendering law, it is not possible to include ideas or wishes in ongoing tenders that represent significant changes to the scope of the tenders. Specifically, this means that current tenders will be stopped, with all consequences for costs and timelines. Therefore it is important to discuss with the Lower House in the short term at least the scope I wish to apply. Specifically, I am asking for your attention to the demands that are a significant factor for the total cost of the system and the requirements that civil society organisations and governments value highly.

Delineating participants in the system

- During the general consultation with the Lower House on 6 February 2008, I indicated that motorcyclists are not participating in the road pricing system based on technical and financial considerations. In the proposed road pricing law, I will discuss potential exemption groups further. In general, I am maintaining that these groups will not be fitted with vehicle equipment.
- In terms of goods transport, a secondary system will be set up to include foreign lorries in the pay-for-use system as well. Installing vehicle equipment in foreign-registered lorries cannot be demanded. Therefore there will have to be an alternative for this group of road users.
- In terms of passenger transport, it was indicated in the government letter of 30 November 2007 that the option of non-residents driving cars with foreign registrations (especially tourists) being included in the scope of the system is being investigated. My approach is that involving this group of road users will not be at issue until after implementation for all residents is complete in 2016.

User requirements

- Reliability and accuracy of the system to record the number of kilometres driven. This requirement involves a combination of precision and correct settlement in final totals. Reliability must be high and equal for all road users. This will be set out in the certification requirements for the system.
- Simplicity for the user. It is very important for users to understand the effective rates and their use, at minimal administrative expense. This also requires appropriate handling of questions. Then, in cases where errors have occurred in billing that are not attributable to the operation of the recording system, there will

- be an option to submit objections and appeals. This implies optimal protection of road users combined with a limited increase in demand on judicial authority.
- System performance. It is important not only for the user but for the state for the system to work optimally and to be able to actually record virtually every kilometre driven in the Netherlands, to charge it to the correct road user and ultimately to collect it. Disappointing performance can undermine support for road pricing and will at the same time result in increased expenses and reduced revenue for the state. Performance requirements will be as strict as possible.
 - Interoperability requirement. In the interests of the road user, the European Commission has for some time now focused on the interoperability of payment systems dealing with road use. The basic idea is that for ease of use, it should be possible to participate in multiple road pricing systems in Europe using a single vehicle device. Incidentally, European requirements are still in development.

I currently still see some tension between user requirements in terms of reliability and accuracy in relation to the desire to avoid major demands on judicial authority in the case of objections and appeals. Based on a study in 2007, I conclude that 99% accuracy can be demanded from the system, while the assumption of the proposed law is nearly 100%. Therefore I believe it is important to determine in the coming period what can actually be tested and the associated cost level, by means of vehicle equipment that can be sufficiently tested. This knowledge will be available for the implementation decision in 2011 and I will be able to discuss with the Lower House the quality of the entire road pricing system in relation to the requirement for the operating cost of the fully operational system to be no more than 5% of the total road pricing revenue.

Prescribed solutions

As I have said, my approach is to formulate requirements at the operational level as much as possible. I am consciously deviating from this general principle on two points. These are privacy, which I value highly along with the Personal Information Protection Board, and security combined with enforcement.

- Privacy. Road users will be spared a system that can be used to determine where they were at a particular time, unless they freely choose to make their travel data available, to a private service provider, for example. This specifically means that the dedicated back office will record only aggregated trip information, with or without the involvement of a private service provider. This will then refer to the total number of kilometres driven at the basic rate and the total number of kilometres driven at the peak rate. Only in the event that a user has explicitly consented will detailed information be sent that can be used commercially by a private service provider. The usual rules regarding privacy will still apply in full.
- Security, enforcement and fraud resistance. The options for counteracting fraud and for effective enforcement have been translated into an integrated enforcement concept requiring specific centrally issued system components. This involves a 'trusted element' in the recording system, subject to strict security requirements.

Control measures for system risks

Based on the current risk analysis, the various risks regarding process configuration and system architecture have been identified. For most risks, control measures have been incorporated as requirements for the system or for the installation of the equipment. Specifically in terms of fraud resistance, for example, I will conduct further research into the extent to which the anticipated control measure of additional recording of kilometres by connecting the vehicle equipment to a vehicle's odometer (or kilometre counter) is necessary. For the time being, any additional expenses for this control measure will be expressed in the risk reserve for the ABvM project.

Punctual delivery of vehicle equipment stands or falls with the degree to which the market for these products develops in time. In terms of the risk of overdue delivery of vehicle equipment for a start involving goods transport, a control measure is provided in the state's acquisition of about 200,000 vehicle devices for lorries. During the entire project, I will assess the actual need for the additional control measures and keep you informed in time by means of the progress reports that I will present to the Lower House every six months, in line with the TCI rules.

TECHNICAL TESTS

Earlier in this letter, I mentioned the technical tests that are to be carried out in the outline of the total implementation strategy in the coming years. I referred to this in the government letter of 30 November 2007 as a proof of concept. At least two types of tests can be identified:

- tests aimed at further definition of operational requirements, interfaces and risks; and
- tests with large numbers of users, focusing on the functioning of the system.

Defining functional requirements

Tests focusing on functional requirements are intended to obtain a greater understanding of cost-determining factors and establishing that the requirements stated are ambitious but also feasible. The tests will therefore also help me to understand whether I can allow a system to begin operating that fulfils all quality requirements and also meets the basic condition that operating costs at the point when all road users are participating, all taxes have been phased out, the market model has developed and the system costs are not more than 5% of the total revenue from road pricing.

These tests are important not only for tendering services under public governance but also for certification requirements for services and products of providers on the private track.

Some areas for attention are:

- Security architecture, including the interface with the trusted element;
- The required accuracy of kilometres recorded using GNSS with any additional sensors (such as the aforementioned connection to odometers);
- Data exchanges between components;
- The enforcement concept;
- Fraud by means of disrupting the GNSS signal;
- User interfaces.

Volume Test, Proof of Concept

The volume test is scheduled for after the implementation decision. The volume test focuses primarily on the public-governance track: with this large-scale test, providers who have participated in the various areas of the tender will have to demonstrate that their systems work together. Only after this can a decision be made to put the system into operation (implementation decision). This also provides insight into the degree to which aspects need to be adjusted before the road pricing system begins.

The focus of these tests on the public-governance track could result in the perception that the systems that market parties could offer to road users within the private track have not been tested. Nothing could be further from the truth: to meet the certification requirements, private providers will have to prove to the certification authority that their system also works well with large numbers of clients and works well in the crucial interfaces, such as for enforcement.

I am consciously opting to set aside enough time for the volume test of the system so that there are as few surprises as possible during rollout. In total, the volume test takes about a year, preceded by tests of individual elements. Given the timeline for the total testing programme, it is important to start soon on tenders so that it is possible to build the testing environment in late 2009 after the testing programme has been granted and then to start the tests of components, followed by the volume test starting in 2010.

TENDERING AND CERTIFICATION PROCESS*Decision to begin certification and tendering*

The main decision to aim for two complete tracks means that I:

- will develop a certification system aimed at creating a basis for an open market of multiple providers of products and services that can enter the market if they fulfil all requirements;
- am going through a tendering process at the same time to acquire services and products from some providers that will depend in terms of size on the development of the market. The underlying desire is to leave as much of the implementation to private parties as possible.

In addition to these main tracks, I will initiate the necessary tenders for the total testing programme previously described in this letter. The testing programme, certification system and tenders for the 'guarantee track' currently also involve the greatest expenses. With this letter, I am deciding to start these three operations after the summer of 2008.

For the certification system, I will work with certification authorities yet to be determined. These certification authorities will test a party on the requirements in exchange for a fee from a private party. This also involves explicit attention to the interfaces between these private service providers and parts of the system under public governance. I am aiming to incorporate Dutch certification requirements in the EETS project that I referred to earlier in this letter. This will eventually also allow foreign service providers to participate in the Dutch system in a relatively simple manner. Tenders for products and services under public governance will have to take into account a fee paid by the state to interested market parties if no use, or less use than expected, is made of the services offered. These

expenses are also included in the estimate in the Basic Report that I presented to the Lower House on 30 May 2008.

Time-critical steps in tendering and certification

Not all parts of the road pricing system are presently being set in motion. The first time-critical steps are:

- vehicle equipment certification process (recording function);
- service provider certification process (MSP);
- tendering of parts of 'guarantee track', with the portion that is part of the testing programme being 'called down':
 - o dedicated back office;
 - o enforcement;
 - o trusted element;
 - o recording facilities;
 - o testing authority (system integration).

Tendering process steps

- announcing tendering after partial implementation decision (2008);
- dialogue with parties (2008);
- bids by parties (2009);
- contracting (2009).

For the tendering regarding development and production of the proof of concept (volume test) aimed at vehicle equipment and for the control measures to be able to acquire vehicle equipment for goods transport, the tendering procedure will include a prototype phase followed by a second bid phase. This tendering procedure will continue until the first quarter of 2010. Certain steps (including subsequent steps) will be made dependent on the required approval and assent. This will then be the start of tendering and later the further implementation of agreements granted.

Connection to mobility projects

I previously mentioned the mobility projects as part of the total implementation. Specifically in terms of the relationship between these projects and certification and tendering of the road pricing system, two issues must be mentioned:

1. The mobility projects of the Different Payment for Mobility project are definitely not replacing the desire to conduct nationwide tests of technologies to be used for the road pricing system. Parties carrying out the mobility projects are free to apply their own technologies that will contribute most to the primary goal of the mobility projects, which is a change in behaviour helping to reduce congestion around major cities. In the interim, the state will assure sufficient information on future requirements for the road pricing system so that parties wishing to experiment are also able to adapt such experimentation to the requirements.
2. The approach of market parties in mobility projects is separate from potential tendering processes for the road pricing system. The parties are emphatically not qualifying by means of the mobility projects; there is a separate process for doing so. This is also obvious considering the strong role of regional governments in the choice of mobility projects and my responsibility for the road pricing system and

monitoring the level playing field. I do wish to involve the experiences of private parties with the mobility projects in the dialogue to be sought as part of the certification process for the road pricing system.

Schedule

The Basic Report of 30 May 2008 provided an initial overview of the schedule for the ABvM project based on the state of affairs at the start of this year. Further to the underlying implementation plan, this schedule has been updated because it is now possible to define the intermediate steps more clearly and thereby make the risks more concrete. The view emerging from this new schedule is that the start involving goods transport in 2011 will be possible only if everything works in our favour and there are no risks of delay. At the same time, the market parties are still indicating that a more rapid introduction must be possible. I am keeping 2011 as the desired introduction time, while I am also aiming for a careful introduction process. The schedule also indicates that the delivery date for the entire road pricing system in 2016 can still be achieved. In fact it is precisely the timely delivery of this honest system that is important in achieving the desired policy effects in terms of accessibility and the environment.

Cost estimate

The cost estimate for the ABvM Project has also been updated further to the underlying implementation plan. Compared to the estimate presented in the Basic Report, the margin of uncertainty in the estimate has been restricted further: from a bandwidth of about +35% to -35% to one of about +20% and -20%. The estimated cost level is virtually the same: there is a limited decrease from a total of € 5.9 billion to € 5.7 billion (2008-2016).

Activity to be initiated on the basis of this partial implementation decision requires a total investment of € 167 million. I cannot disclose further insight into the structure of these expenses at the moment due to potential consequences under tendering legislation. After all, the market parties may use such an estimate, including the financial reserve for activity to be tendered, for their bids. The implementation plan summarises the exact activity that you can expect.

Personnel capacity until 2009 implementation decision

As part of this partial implementation decision and the activity it covers running to implementation decision in 2009, it is estimated that the ABvM project will require staffing during that period of approximately 48 FTEs in civil servants, in addition to total hiring estimated at approximately 85 FTEs. Through various service divisions of the Ministry of Transport, Public Works and Water Management and other ministries, there will be an influx of about 11 FTEs.

The required knowledge and expertise has been decisive in distributing the total required capacity between contract hiring and civil service staffing. Experts with knowledge (including technical knowledge) required for the project but who cannot be reassigned within government service afterwards, will be hired by contract. Formulating the Schedule of Requirements and providing further content support to planned tenders may require drawing on a number of services that will also be functional later in completing and operating the road pricing system. This approach is estimated at a total of 17 FTEs for this

phase. Actual configuration depends in part on decision-making on the organisational model; this decision-making is expected in the second half of the year.

The implementation plan provides a further insight into personnel capacity in subsequent phases of the project.

FOLLOW UP PROCESS

The introduction of road pricing is a complex process that I am designing with due care and ambition. I previously indicated the most important go/no-go points in the Basic Report. I have also mentioned various issues in this letter that lead to a partial decision in the interim, such as tasks that can be addressed within the multiple service provider (MSP) model. This will result in the following steps in the upcoming period:

- Second half of 2008, a further statement on the question of how much of collection and compulsory collection can be carried out by private service providers within the MSP model.
- Second half of 2008, elaboration of public governance. I will present the outcome to you in the form of a letter;
- After the summer of 2008, the start of tendering will be announced for the testing programme and other time-critical elements of the area under public governance;
- In the second half of 2008, presentation of the proposed road pricing law to the Council of State and as the new year approaches, presentation to the Lower House.
- After discussion of the proposed road pricing law in the Lower House, an implementation decision (2009);
- After discussion of the proposed road pricing law, broad public communication will begin (2009 and beyond);
- Decision on new provincial tax area, instead of provincial surcharges (2010);
- Implementation after completion of large-scale volume tests, considering the quality of the system in relation to the basic condition that the operating cost at the time the system is fully operational will be no more than 5% of the total road pricing revenue (2011);
- Start of rollout and start of focused communication to groups of road users who will begin to participate successively in the new system (2011 and beyond);
- Delivery decision after complete rollout of the technical system to all road users (2016); and
- Completion of BPM phaseout (2018).

Yours sincerely,

DE MINISTER VAN VERKEER EN WATERSTAAT,

Camiel Eurlings
MINISTER OF TRANSPORT, PUBLIC WORKS AND WATER MANAGEMENT