

FINANCING OF THE LITHUANIAN ROAD SECTOR

On 1 January 2009, the Lithuanian network of national significance roads (main, national, regional) consisted of 21,320 km, and the network of local significance roads: 59,398 km. Table 1 shows the lengths of roads and streets and their percent distribution.

Table 1

Length of national significance roads, km			Length of local significance roads, km	
Main	National	Regional	Streets	Local roads and streets
1,748	4,946	14,626	3,859	55,539
Percent distribution				
8.20	23.20	68.60	6.50	93.50
In total:			In total:	
26.41 %			73.59 %	
Length of roads and streets: 80,718 km				

In 1995, the Road Fund was established to finance the maintenance and development of the roads of national significance.

On 12 October 2000, the Lithuanian Government adopted the “LAW OF THE REPUBLIC OF LITHUANIA ON THE FINANCING OF ROAD MAINTENANCE AND DEVELOPMENT PROGRAMME“, which came into force from the beginning of 2002. The Lithuanian Republic Road Maintenance and Development Programme (hereinafter called the Programme) replaced the former Road Fund. In fact, the financing sources of the Programme have remained the same. At present, the sources of the Programme financing are as follows:

- 1) a certain share of the revenue from the excise duty received from the sale of petrol and diesel fuel as well as energy products which are produced from materials of biological origin or contain their supplements and are intended for the use as motor fuel;
- 2) revenue from the excise duty received from the sale of liquefied petroleum gas intended for use as motor fuel;
- 3) taxes levied on the commercial vehicles registered in the Republic of Lithuania;
- 4) user charges payable by the owners or managers of vehicles registered in the Republic of Lithuania, foreign states, including the Member States of the European Union;
- 5) taxes levied for using roads on vehicles (vehicle combinations) registered in the Republic of Lithuania and foreign states, including the Member States of the European Union, the dimensions whereof, when laden or unladen, exceed those authorised or when the maximum authorised axle load or maximum authorised gross weight of the vehicle (vehicle combination) is exceeded;
- 6) charges levied for the restriction of traffic;
- 7) targeted funds of legal, natural persons and foreign states.

A certain share of the revenue from the excise duty received from the sale of petrol and diesel fuel as well as energy products which are produced from materials of biological origin or contain their supplements and are intended for the use as motor fuel

Excise revenues received from the sale of petrol and diesel fuel are the main sources of the Programme financing. From 1 July 2005 the charge of deductions from income was abolished and the Programme lost more than half of its financing means. Therefore, to compensate partially the loss of the Programme revenues, the percentage of the transferred excise was increased as follows: from 1 May 2005 by 50 per cent, from 1 January 2006 by 60 per cent, in 2007 by 70 per cent, in 2008 by 80 per cent of excise duty received from the sale of petrol and diesel fuel as well as energy products which are produced from materials of biological origin or contain their supplements and are intended for the use as motor fuel.

At the end of 2008 the new governing majority, to tackle the problems of the economic slump, reduced the transferred excise from 80 to 55 per cent and increased the fuel excise. Since 1 January 2009, excise on fuel has increased up to 434 EUR/1,000 kg and excise on diesel fuel – up to 330 EUR/1,000 kg.

According to the data of 2008 on excise revenues, one per cent of the excise made up 4.6 MEUR.

In the first quarter of 2008, the sum of 110.9 MEUR (100 per cent of excise revenues) was collected. Meanwhile, in the first quarter of 2009 although the sale of fuel has decreased (19.75 million litres of petrol, 33.7 million litres of diesel fuel), due to the increased excise the sum of 124.5 MEUR was collected, i. e. in 2008 there were 10.7 MEUR more funds than in the first quarter of 2009.

The sale of fuel has decreased due to the following reasons:

- In neighbouring countries, fuel prices are lower; therefore, it is not economical for transit transport to buy fuel in Lithuania;
- Due to the economic slump, average daily traffic volumes of vehicles registered in Lithuania and transit transport have decreased. Compared to the first quarter of 2008 with the same period of 2009, ADTV has decreased by 10–12 per cent, and that of heavy vehicles by 22–24 per cent.
- As excise on fuel was increased in the beginning of 2009, road users, especially transport companies owning fuel reservoirs purchased fuel at the end of 2008, and therefore, bought less fuel in the beginning of 2009;
- Due to the domination of the company “Mažeikių nafta“ on the Lithuanian market, fuel prices in Lithuania are higher than in neighbouring countries even at the same excise rates in those countries.

Table 2 presents the factual and forecasted revenues received from the sale of petrol and diesel fuel.

Table 2

Year	2004	2005	2006	2007	2008	2009 ¹	2009 ²
Share of excise revenue received from the sale of petrol and diesel fuel, MEUR	115	146	225	296	368	324	182
<i>Share of transferred excise, %?</i>	40	40/50	60	70	80	55	55
Percent from the total revenues of the Programme	40	53	81	82	85	84	74

Note: 1 – share of excise revenues to RMDP approved by the LR Government on 1 January 2009;

2 – share of excise revenues to RMDP approved by the LR Government on 30 April 2009;

In the beginning of 2009, when planning the revenues to the Road Maintenance and Development Programme, it was expected to generate the amount of 324 MEUR. In April 2009 the Ministry of Finance recommended to reduce the funds of RDMP in 2009 by 170.8 MEUR, by allocating 52.1 MEUR for the general needs of the country and by reducing the excise revenues received from the sale of petrol by 119 MEUR. Having reduced excise revenues to RMDP by this amount in 2009, they are reduced by 153.2 MEUR.

Revenue from the excise duty received from the sale of liquefied petroleum gas intended for use as motor fuel

Some cars having internal-combustion engines use an alternative type of liquefied petroleum gas.

According to its size, the transferred excise received from the sale of liquefied petroleum gas is the second source of the Programme financing. Until the beginning of 2009, 100 per cent of the excise revenues received from the sale of liquefied petroleum gas was transferred to the programme financing account. Since 1 January 2009, due to the economic slump, the LR Government has reduced the revenues from the excise duty received from the sale of liquefied petroleum gas from 80 to 55 per cent and increased the excise up to 304 EUR/1,000 litres.

Figure 1 presents factual and forecasted revenues from the excise duty received from the sale of liquefied petroleum gas in 2004–2009.

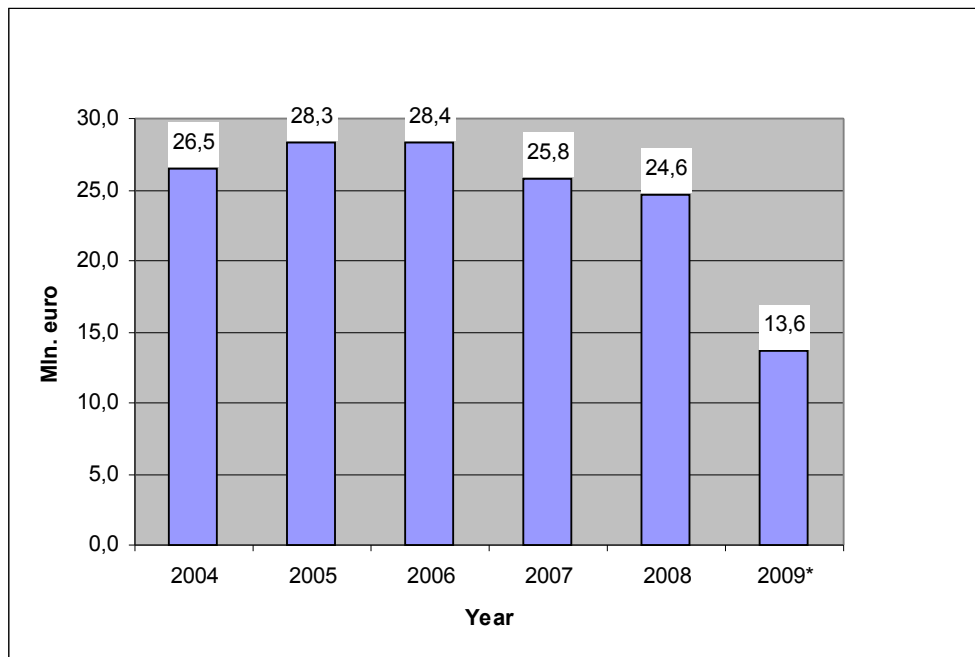


Fig. 1. Revenue from the excise duty received from the sale of liquefied petroleum gas intended for use as motor fuel

Revenues to the Programme from the excise duty received from the sale of liquefied petroleum gas made up 9.3–10.4 per cent in 2004-2006. Since 2006 they started to decrease: in 2007 they made up 7.1%, in 2008 – 5.7 %, and in 2009, the planned revenues of the Programme will make up only 3.5 %.

Legal and physical persons shall pay the following two taxes imposed on heavy goods vehicles:

- Vehicle's (gross weight of which exceeds 12 tons) charge;
- User charge payable by the owners or users of vehicles.

Tax Imposed on Heavy Goods Vehicles Registered in the Republic of Lithuania (competition charge)

Heavy goods vehicles tax shall be paid only for the vehicles registered in that country. The marginal rates of the tax are regulated by the European Parliament and Council Directive 2006/38/EC, which partially amended Directive 1999/62/EB. This tax remained the same in the Lithuanian Republic Government Regulation No 447 as it was stipulated in Regulation No 108 of the Lithuanian Republic Government of 25 January 2002. It is also called a competition charge, which shall be paid only by the vehicles registered in that country. In Lithuania, according to the Directive, the rates of the tax depend on the gross weight and type of suspension of the vehicle. For instance:

- 12 t heavy goods vehicle (with pneumatic suspension) shall pay 87 EUR/year;
- 12 t heavy goods vehicle (with another type of suspension) shall pay 127 EUR/year;
- 20 t heavy goods vehicle (with pneumatic suspension) shall pay 156 EUR/year;
- 20 t heavy goods vehicle (with another type of suspension) shall pay 316 EUR/year;
- 39 t heavy goods vehicle (with pneumatic suspension) shall pay 571 EUR/year;
- 39 t heavy goods vehicle (with another type of suspension) shall pay 770 EUR/year.

Vehicles with pneumatic suspension make up the largest part of the Lithuanian fleet. Suspensions of other types cause much bigger damage to the road pavement than pneumatic suspensions; therefore, marginal rates of these vehicles are higher. This tax charge as well as its rates approved by Regulation No 477 of the Lithuanian Republic Government meet the regulations of Directive 2006/38/EC on marginal rates.

Factual and forecasted revenues to the Programme received from the tax imposed on heavy goods vehicles registered in the Lithuanian Republic are presented in Figure 2. From 2004 to 2007 the revenues to the Programme increased by 17 per cent on average. Since 2007, the received revenues stabilized.

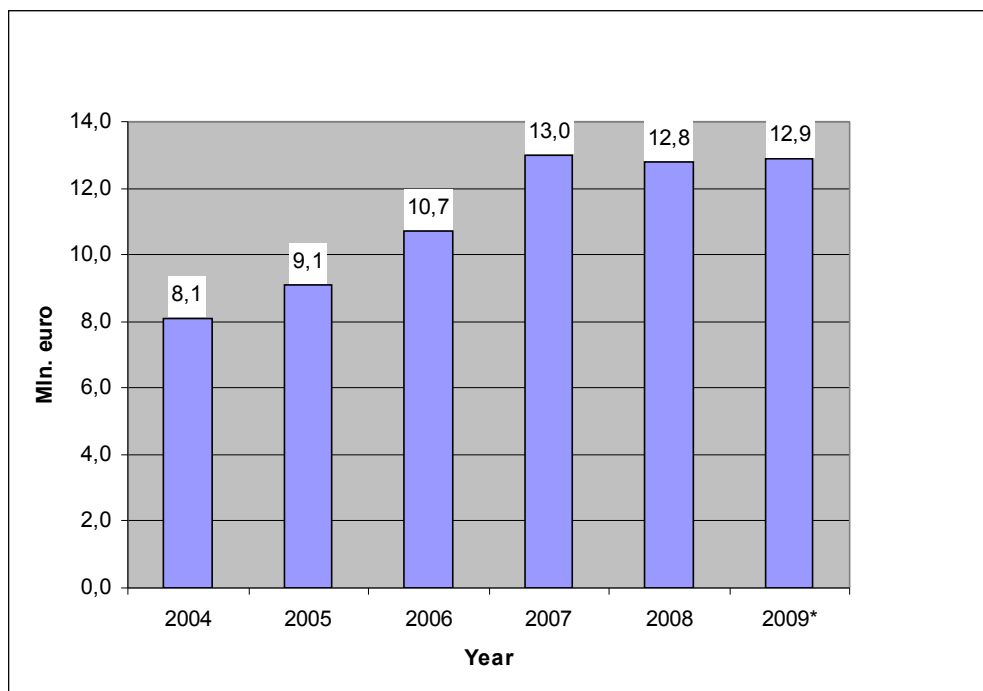


Fig. 2. Revenues to the Programme received from the tax imposed on heavy goods vehicles, the gross weight of which exceeds 12 tons, registered in the Republic of Lithuania

User Charge Payable by the Owners or Managers of Vehicles Registered in the Republic of Lithuania and Foreign States, including the Member States of the European Union

Until 1 July 2007 the owners or managers of buses and heavy goods vehicles had to pay a user charge for using the whole Lithuanian road network. On 15 November 2006 the Lithuanian Republic Government adopted Resolution No 1116 “On Amending the Lithuanian Republic Government Resolution No 447 “On the Implementation of the Lithuanian Republic Law of Financing the Road Maintenance and Development Programme“ of 21 April 2005“. Since 1 July 2007, the road vignette system was introduced to collect, administer and control the user charge. Vignettes are documents confirming the payment of this charge. A new edition of the Law on Financing the Road Maintenance and Development Programme complies with the regulations of Directive 1999/62/EC:

- Former user charges payable by the owners or managers of vehicles registered in the Republic of Lithuania (only the annual rate was set) and in foreign states (annual, monthly, weekly and daily rates were set) were brought into line. The user charge is differentiated according to the duration of using those roads (daily, weekly, monthly, annual).
- Owners or managers of vehicles (buses, road heavy vehicles and their combinations as well as special road vehicles) registered in the Republic of Lithuania and foreign states, including Member States of the European Union, shall pay the user charge only for driving on the roads of the highest category (main roads).

At present, the rate of the user charge payable by the owners or managers of vehicles depends on the gross weight of the vehicle and the duration of its exploitation and only for driving on the highest category road network (main roads, the length of which is 1,749 km). For example, if a vehicle uses only national, regional or local significance roads, the total length of which is almost 78,000 km, such vehicle does not have to pay this charge.

At present, if a vehicle uses the roads of the highest category (main roads) little, it has a right to pay only for the period of using the infrastructure, i.e. choosing daily, weekly or monthly rates. If the roads of the highest category are used frequently, it is more economical to pay the annual user charge.

The marginal rates of the user charge payable by heavy goods vehicles, the gross weight of which is up to 3.5 tons; from 3.5 to 12 tons and from 12 to 40 tons, are presented in Table 3.

Table 3

Vehicle			Marginal rates (in EUR)			
			Daily rate	Weekly rate	Monthly rate	Annual rate
Heavy vehicles and their combinations	N ₁	Up to 3.5 t (inclusively) of the gross weight	5.79	17.38	43.44	173.77
	N ₂	From 3.5 to 12 t (inclusively) of the gross weight	5.79	26.1	43.44	260.65
	N ₃	from 12 to 40 t (inclusively) of the gross weight	5.79	26.1	52.13	463.39

User charge rates payable by the owners or managers of special vehicles and agricultural subjects are reduced (see Table 4).

Table 4

Vehicle		Marginal rates (EUR)			
		Daily rate	Weekly rate	Monthly rate	Annual rate
N ₁ -N ₃	Agricultural entities owning vehicles of gross weight up to 16 tonnes (inclusively)	5.79	11.58	23.16	260.65
Special road vehicles	Designed for execution of specific work functions, but not transportation of goods	5.79	11.58	28.96	260.65

If compared to foreign countries, user charges in Lithuania are not high. For example, in Germany the user charge payable by the owners of heavy vehicles for using the road infrastructure is 0.12 EUR/ km in Germany, and – 0.22 EUR/ km in Austria.

Factual and forecasted revenues to the Programme received from the tax payable by the owners or managers of vehicles, registered in the Republic of Lithuania and foreign states countries, are presented in Figure 3.

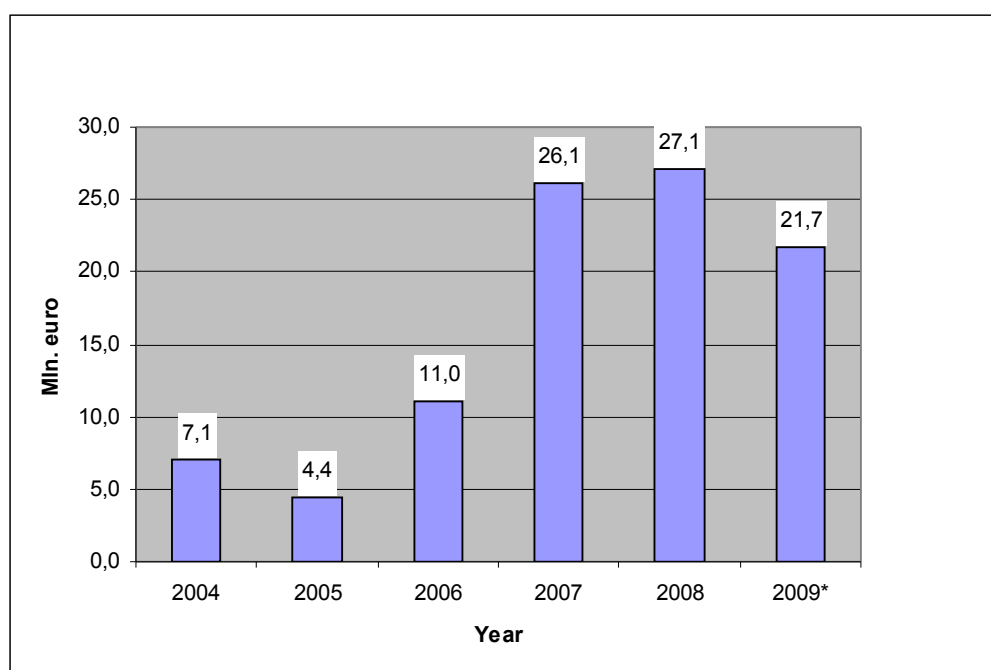


Fig. 3. Revenues to the Programme received from the user charge payable by the owners or managers of vehicles registered in the Republic of Lithuania Republic and foreign states

Since 1 July 2007 having implemented the road vignette system and increased fines for failing to pay the charge as well as enforced control of the user charge payment, the collection increased more than twice.

Other taxes

Other taxes include the following: tax levied for using roads on vehicles (vehicle combinations) registered in the Republic of Lithuania and foreign states, including member states

of the European Union, the dimensions whereof, when laden or unladen, exceed those authorised or when the maximum authorised axle load or maximum authorised gross weight of the vehicle (vehicle combination) is exceeded; charge levied for the restriction of traffic, targeted funds of legal, natural persons and foreign states. These charges make up only 0.3–0.5 per cent of the total Programme revenues.

Factual and planned financing of the Road Maintenance and Development Programme is presented in Figure 4.

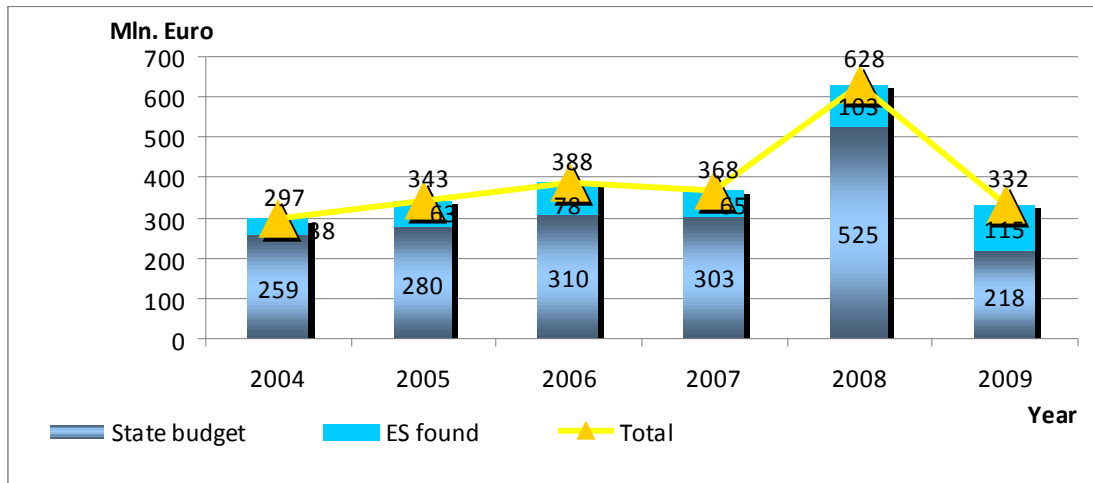


Fig. 4. RMDP financing dynamics in 2004–2009.

Fig. 4 shows that the financing of the road sector from the Road Maintenance and Development Programme has been considerably decreasing in 2009 (compared to 2008, the revenues have decreased by 26 per cent or by 137 MEUR).

In 2009, the sale as well as revenues to the budget (for collected charges) have decreased due to the economic slump in Lithuania and the world. The proposal of the Ministry of Finance to reduce RMDP funds by 170.8 MEUR in addition in 2009, will cause at least 120 MEUR debts to contractors, and part of them will be ruined or go bankrupt. This reduction will bring the RMDP estimate down to **217.4 MEUR in 2009**.

Figure 5 shows the change of the planned funds for 2009. If in September 2008 the funds planned for 2009 made up 525 MEUR, on 1 January 2009, they were reduced by 26 per cent, and on 1 May 2009, by 33 per cent more, i.e. 217 MEUR.

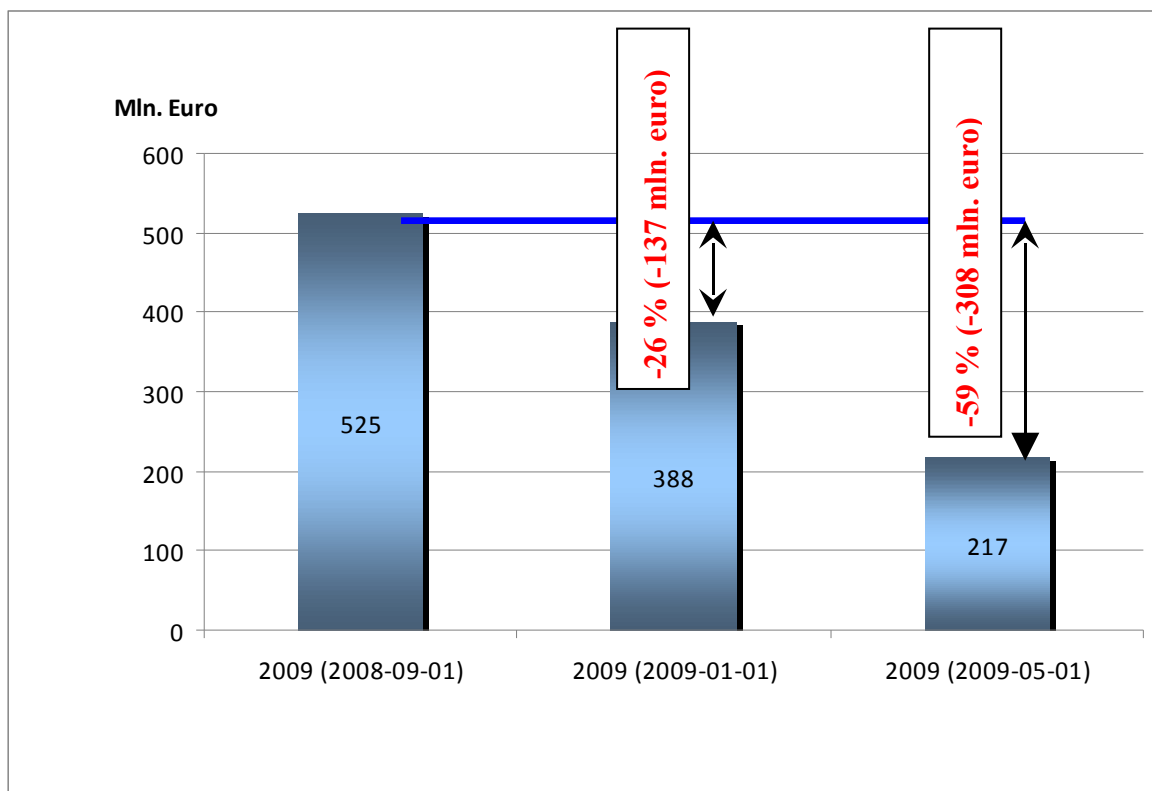


Fig. 5. Change of RMDP financing in 2009

On 1 January 2009, the debt to contractors and municipalities for the works carried out in 2008 made up 136.7 MEUR, which on 27 April 2009 was reimbursed. In the first quarter of 2009 the Ministry of Finance reimbursed the amount of 35.8 MEUR collected, but not transferred to the LRA in 2008. Therefore, having returned the debt to contractors, the remaining sum for carrying out obligations and the main functions set out in the RMDP in 2009 would make up only 116.4 MEUR.

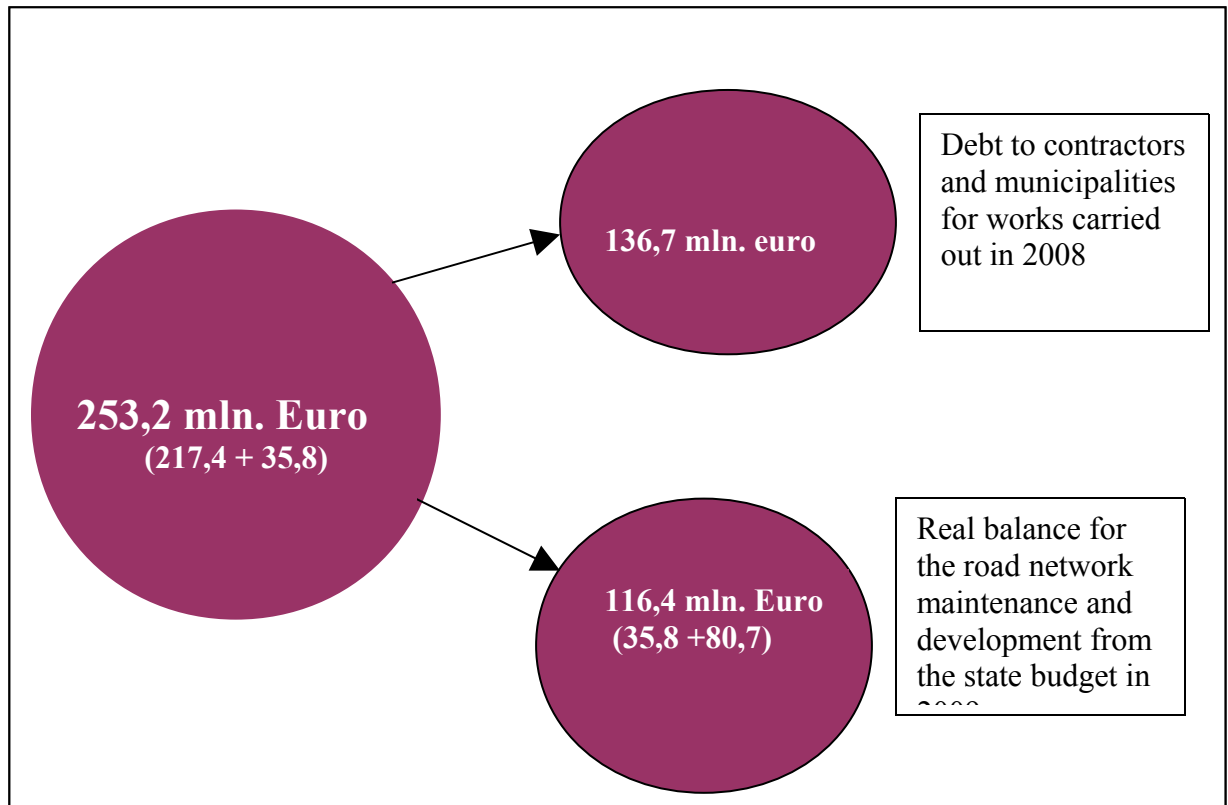


Fig. 6. RMDP funds' distribution in 2009

Pursuant to the Law on Financing the Road Maintenance and Development Programme, 20 per cent (43.47 MEUR) of the Programme financing resources shall be allocated to municipalities (local significance roads and streets) and 5 per cent reserve (10.86 MEUR) to finance road-related public needs. Moreover, the Lithuanian Road Administration has entered into obligations for 79 MEUR according to two-year contracts signed in 2008. These works (road design, technical supervision, horizontal marking and road repair) were started in 2008 and, according to the EU requirements, they cannot be financed from EU funds.

In 2009, the road maintenance works need the amount of 80 MEUR and other necessary works in the road sector need 32 MEUR (to implement traffic safety programmes, technical supervision, technical projects, land acquisition, etc.).

The proposal of the Ministry of Finance to compensate the reduced amount of the Programme funds of 119 MEUR from the means of EU funds is impossible as EU funds are non-eligible to finance road maintenance works, municipality works, road pavement repair works.

Having reduced the estimate of RMDP in 2009 by 170.9 MEUR, the funds for part of the obligations of two-year contracts, road maintenance, traffic safety programmes, EU fund acquisition and other works in the road sector are not available (due to the lack of 129 MEUR).

In 2009, the minimum amount required for carrying out the main functions of the Lithuanian Road Administration, i.e. to maintain and develop roads of national significance (meet two-year obligations), the minimum amount of RMDP funds shall be not less than 346 MEUR; therefore, in the beginning of 2010 the debt to contractors will exceed 129 MEUR.