The effects of taxing truck distance on CO2 emissions from transports in retailing

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Abstract

To finance transportation infrastructure and to address social and environmental negative externalities of road transports, several countries have recently introduced or consider a distance based tax on trucks. In the competitive retail market such tax can be expected to lower the demand and thereby reduce CO₂ emissions of road transports. However, as we show in this paper, such tax might also slow down the transition towards e-tailing. Considering that previous research indicates that a consumer switching from brick-and-mortar shopping to e-tailing reduces her CO₂ emissions substantially, the direction and magnitude of the environmental net effect of the tax is unclear. In this paper, we assess the net effect in a Swedish regional retail market where the tax not yet is in place. We predict the net effect on CO₂ emissions to be positive, but off-set by about 50% because of a slower transition to e-tailing.

Keywords: Spatial distribution of e-tailing and consumers; CO₂ emissions measurement; online retailing; environmental taxes; carbon footprint; road network.

JEL codes: D22, L13, L81, R12

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1. Introduction

A negative externality arises from road transports due to fossil fuelled vehicles inducing CO₂ emissions. To internalize the external costs of CO₂ emissions in general, the cap and trade system termed EU Emissions Trading System has emerged in Europe. However, the transport sector is left out of the system even if the road transports are affected by the fuel taxes that frequently are environmentally motivated. Moreover, in some countries such as Switzerland (in 2001), Austria (in 2004), Germany (in 2005), Czech republic (in 2007), Slovakia (in 2010) and Poland (in 2011) a Vehicle Miles Travelled tax (VMT-tax or kilometer tax) has been imposed on (primarily) trucks. The foremost rationale for a VMT-tax is the financing of transportation infrastructure, but also to address social and environmental negative externalities of road transports (e.g. Calthrop et al 2007; Sorensen and Taylor 2008; Hammar et al 2011; Brännlund 2013; Stelling 2014; Jenn et al 2015). Several governments are contemplating the VMT-tax including the newly installed Swedish government. The scheme of the Swedish version of a VMT-tax is to charge a fixed value per kilometer on trucks. Hammar et al (2011) studied how the Swedish manufacturing industry would be affected in terms of their competitiveness by the introduction of a VMT-tax on trucks, and their results show that the tax would decrease transport demand while increasing the demand for labor.

Transports are essential for retailing, which in turn is a core activity in most economies. Products are usually distributed by trucks to market places to which consumers travel with cars. Retailing is however gradually shifting towards e-tailing, i.e. the consumer orders the product online rather than buy it in a brick-and-mortar (BM) store, and has it transported by a professional carrier to (uncommonly) the home or to (commonly) a delivery point in the vicinity of the consumer’s home. Carling et al. (2015a) found empirically that e-tailing implies a more efficient transportation of the product thereby leading to substantially less CO₂ emissions (the reduction in CO₂ emissions in the standard model was estimated to be 84%).

A VMT-tax in a competitive retail market can be expected to increase the retail price due to increased transportation costs and thereby lowering the demand such that transports and its CO₂ emissions related to retailing decreases. However, the relative price for the consumer of shopping online compared to in a BM-store would increase at the same time. Hence, it is to be expected that a VMT-tax will slow down the transition towards
e-tailing, thereby counter-acting the anticipated reduction in CO₂ emissions resulting from more e-tailing in the future (cf Culthrop et al 2007).

Calthrop et al. (2007) considered the case when an externality is jointly produced by the use of intermediate inputs by firms and the consumption of final goods by households and referred to partial taxing if only one of the agents incurred the tax. They specifically discussed VMT-tax on trucks while private transports are exempted from it. Their theoretical modelling led them to the conclusion that a partial tax to internalize the externality may actually have negative welfare effects.

The aim of this paper is to empirically assess the net effect of a VMT-tax on CO₂ emissions related to transportations in the retail sector. Hence, the contribution of this paper is to complement the theoretical analysis of Calthrop et al. (2007) by empirically assessing the effect of a partial tax. The effect is studied in a representative regional retail market in Sweden focusing on consumer electronics. Consumer electronics is the category of products most purchased online and believed to lead the way to e-tailing of other categories of retail products.

This paper is organized as follows. In section 2 we outline a simple microeconomic model for consumers’ transition to e-tailing. This model is used for projecting the transition towards e-tailing in the region under study in the cases with and without a VMT-tax. In section 3 the data of the regional retail market is presented and the method for measuring CO₂ emissions, in various scenarios, related to a consumer’s shopping is outlined. Section 4 presents results on how the VMT-tax affects CO₂ emissions induced by shopping related transports. In section 5 we discuss the sensitivity of the results to the assumptions made and make a concluding discussion.

2. The switch towards e-tailing

The introduction of a VMT-tax for trucks will affect the demand for retail products in two distinct ways. First, the tax will increase the price, including the cost of transports to the BM-store or the online delivery point and thereafter to the consumer residence, of the product. This part of the tax is anticipated to reduce CO₂ emissions as the demand for products and their transportation decreases, and where the magnitude of the reduction will be dependent on the price elasticity of the products.

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1 A consumer may purchase one product or a package of products at the time. The transportation is primarily related to the occasion of purchase, not to the number of products. We will therefore use product and parcel of products interchangeably.
The second effect, largely overlooked in the Swedish debate, of the tax is that it will change the relative price of e-tailing versus traditional BM-store shopping, and this change in relative price will also have an effect on CO\textsubscript{2} emissions. To focus on how the tax will affect the on-going transition towards e-tailing, and this in turn affects emissions, we assume that the total market demand for the products under study is perfectly inelastic with respect to prices, and focus only on how the share of e-tailing is determined by the relative prices.

To make this idea operational in a simple way, suppose that the consumer faces a utility gain if the choice of e-tailing decreases the price of the product including transportation. A similar model was used by Aronsson et al. (2001) when analyzing how relative price differences between brand name and generic pharmaceuticals affected brand name market shares. Let $\Delta u_t$ be the total discounted change in expected utility of the consumer if changing from a BM-store to an online retailer in period $t$. We simplify further by assuming that $\Delta u_t$ depends only on the observed price of the product at the BM-store relative to the e-tailing price, including transportation cost in both cases. That is:

$$
\Delta u_t = \frac{n}{(1-\delta)} \left( \frac{p_{t}^{bm}}{p_{t}^{o}} - 1 \right)
$$

where $n$ is the number of purchases of the consumer product during the period under study and $\delta$ is a discount factor. This formulation means that the utility change is positive (negative) if the price including transportation in the store exceeds (falls short of) the e-tailing price. To be specific on the cost of transportation we take:

$$
p_{t}^{bm} = \bar{p}_t + \alpha_t^c d_{t}^{bm} + \alpha_t^T d_{t}^{bm}
$$

$$
p_{t}^{o} = \bar{p}_t + \alpha_t^c d_{t}^{o} + \alpha_t^T d_{t}^{o}
$$

where $\bar{p}_t$ is the price of the product excluding the transportation costs assumed identical for the two shopping alternatives, $\alpha_t^c$ and $\alpha_t^T$ the kilometer cost for the consumer’s car and the truck respectively. Moreover, $d_{t}^{bm}$ and $d_{t}^{o}$ are the consumer’s distance to the BM-store as well as the online delivery point and $d_{t}^{bm}$ are $d_{t}^{o}$ the corresponding for the truck transporting the product from the entry point into the region and to the BM-store or online delivery point.

Today most consumers still patronize BM-stores in spite of a relative price in favor of e-tailing when also including transportation costs, i.e. $p_t^{o} < p_t^{bm}$. We therefore also assume that the consumer is attached to brick-and-mortar shopping. As such, the consumer incurs a switching cost (cf Aronsson et al 2001), $s_t$ (in utility
terms), if she changes to e-tailing, and the cost differs between consumers depending on the attachment to BM shopping. Given that a consumer patronized the BM-store in period \( t - 1 \), she will switch to e-tailing in period \( t \) if:

\[
\Delta u_t - s_t > 0
\]

i.e. if

\[
\gamma \left( \frac{p^b_t}{p^o_t} - 1 \right) - s_t > 0
\]

where \( \gamma = n / (1-\delta) \). To be able to relate equation (5) to the transition to e-tailing, let the switching cost be uniformly distributed in all periods and independent of the market share of e-tailing. That is, in every period, a new switching cost is drawn from a uniform distribution, i.e. \( s_t \sim U(0,b) \). The upper limit, \( b \), of the uniform distribution will determine the speed of transition towards e-tailing where a low, positive value of the parameter implies a fast transition and a high value a slow transition. An empirical estimate of \( b \) will thus be instrumental if we are to be able to empirically measure the second effect of the tax, and a standard approach to estimate the parameter is discussed in Section 3.

From the work of Carling et al (2015a), we know that much more of the transportation is done by trucks in the case a product is being bought online than in a BM-store. As such, the two effects of the introduction of the VMT-tax can be identified. First, there will be a direct demand effect as transportation cost increases. Second, from Carling et al (2015a) and equation (5), we also know that the switch to e-tailing, ceteris paribus, will be countered by the tax. This is so because more of the transportation work is done by trucks in e-tailing compared with brick-and-mortar retailing, and the tax is imposed solely on trucks, thereby increasing the price of the product disproportionately more for online retailers, thus changing the relative price in favor of brick-and-mortar retailing.\(^2\)

The second effect of a VMT-tax cannot readily be abstracted from as a consequence of the on-going transition towards e-tailing. Figure 1 shows the evolution of e-tailing of consumer electronics in the years 2003-2014 (solid line) in Sweden.\(^3\) It is expected that the transition towards e-tailing will continue, although the future transition

\[^2\] An intriguing and complicating issue not considered here in e-tailing and the assessment of the net effect of VMT-tax is the choice offered to the consumers is choosing the time-length of deliverance. By accepting a higher price, the consumer is offered speedier deliverance. The speedy deliverance is presumably less efficient and consequently less environmentally friendly. We speculate that the relative price of speedy deliverance would increase with a VMT-tax, leading more consumers to choose the slower and more environmentally friendly choice.

\[^3\] There is uncertainty in the values of the years prior to 2010 and the time series should be considered indicative of the evolution of e-tailing. Source: HUI Research (2009).
rate is of course hard to foresee (HUI research 2012, 2014). We estimated\(^1\) the parameter \(b\) based on the historical data and produced two scenarios for the years 2015-2025 of the evolution of e-tailing in Dalarna, which is the region under study in the empirical analysis. The first scenario is the short dashed line in Figure 1 suggesting that about 34 \% of consumer electronics will be bought online by the year 2025 in the region. This scenario implies that e-tailing of consumer electronics has matured and that the growth rate in the years to come is decreasing. We also consider a second scenario (long dashed line) where today’s transition rate is maintained for the coming years resulting in e-tailing of about 42 percent by 2025.

Figure 1: The share of e-tailing for consumer electronics in per cent. The solid line is the trend in Sweden. The short and long dashed lines are projections for the coming years in the region of Dalarna under different assumptions, both derived without the tax being introduced.

We follow Carling et al (2015a) in focusing on consumer electronics, as these consumer products constitute the largest e-tailing category in Sweden (HUI Research 2014) and presumably leads the way to online shopping for other consumer products in the future. In this case, we will demonstrate that knowing the current share of e-tailing and how the introduction of the VMT-tax affects the relative price between the brick-and-mortar and online shopping is, after imposing some additional assumptions, sufficient for calculating the effect of the tax reform on

\(^1\) Details on the estimation in Section 3.
the CO₂ emissions from consumer electronics retailing in Dalarna, Sweden. We will calculate the change in CO₂ emissions from retailing due to the introduction of the tax, and this change will be decomposed into the first direct effect on the demand of transports (hereafter denoted demand-effect) and the second effect on the transition towards e-tailing (hereafter denoted LOE-effect, loss of e-tailing effect) as discussed above.

3. Data and empirical method
Consumer electronics are in the vast majority of cases imported into Sweden, and pre-shipping via an entry port is required before a product reaches a consumer’s residence, regardless of whether the product is bought online or in a BM-store. Consequently, the product’s route on the Swedish transportation network to the consumer’s residence can be identified. In brick-and-mortar shopping, the route extends from the entry port via the store to the consumer’s residence, while in online shopping it extends from the entry port via the Swedish Post’s delivery points to the consumer’s residence. Part of the route is covered by professional carriers’ trucks, such as Swedish Post, and other parts of the route are covered by the consumer and her car. We focus on the CO₂ emissions of the complete route from regional entry point to consumer residence.

Following Carling et al (2013, 2015a), the study concerns the Dalarna region in central Sweden containing approximately 277,000 consumers, whose residences are geo-coded. The region contains seven brick-and-mortar consumer electronic stores and 71 delivery points for online purchases. Consumers reach the stores or delivery points via a road network totaling 39,500 km. Mountains in the west and north of the region restrict the number of gateways into the region to three from the south and east, limiting the routing choices of professional carriers. The region shares many geographical, economic, and demographic characteristics with, for example, Vermont in the USA. The routes of the trucks as well as the consumers in the empirical analysis to either the BM-store or the delivery point are optimized to provide the shortest distance.⁵ To do so we follow Dijkstra (1959).

Dalarna is also representative of Sweden as it comes to e-tailing behavior (HUI research 2012). Swedish Post delivers most e-tail parcels in rural areas in northern Sweden, where over ten parcels per year and household are delivered in many northern municipalities. The three municipalities with the most parcels delivered are Storuman, Jokkmokk, and Gällivare, all located in the sparsely populated interior part of northern Sweden and all averaging 11.4–12.0 parcels delivered per year and household. In contrast, in most municipalities in southern Sweden, particularly the three largest cities, fewer than seven parcels are delivered per year and household. In the

⁵ We follow Carling et al (2015b) in the use of the region’s road network and refer the reader to their work for details.
municipalities of Malmö, Gothenburg, and Stockholm, 5.9–6.1 parcels are delivered per year and household. The Dalarna region lies between the extremes of Sweden with seven to nine parcels delivered per year and household by Swedish Post, with two exceptions: in the municipalities of Malung and Sälen, in the remote north of the region, over ten parcels are delivered per year and household, while in Borlänge, in the center of the region and with a well-developed retail trade, fewer than seven parcels are delivered per year and household (HUI Research 2013).

E-tailing as shopping in BM-stores may entail shopping one or several products at the same occasion. Detailed information on multi-product shopping is hard to come by, and we will therefore consider a typical purchase (possibly consisting of several of products). In year 2012 it was reported (HUI Research 2012) that some 20 million online bought parcels were delivered at a total value of SEK some 30 billion. We will therefore consider a typical package to contain one or several products of an accumulated value of SEK some 1,500. Furthermore for the aspect of shipping, the package is assumed to be 0.25 cubic meters so it fits the trunk of an ordinary car.  

The truck carrying the package to either the BM-store or the delivery point is operated by a professional carrier using a Scania truck and a trailer with a standard loading volume of 100 m³ respecting the Swedish restriction of 24 tons of load per vehicle. The Scania truck runs on diesel, emits 1.08 kg per km of CO₂ (according to the producer; see www.scania.com), and is assumed to be loaded to 60% of its capacity with identical packages, such that the consumer’s package constitutes one of 240 in the load and is responsible for approximately 0.005 kg per km of CO₂. For the cost of transportation with the truck we follow Hammar et al (2011) in their study of the VMT-tax and its effect on manufacturing in Sweden and assume a cost per kilometer of 13.50 SEK.

To calculate the transportation cost and the CO₂ emissions of the consumer’s transportation of the package from the BM-store or the delivery point we assume the following. First, the consumer drives a gasoline-powered Toyota Avensis 1.8 with CO₂ emissions of 0.15 kg per km, making the trip to pick up the package and return to her residence. The Toyota is five years old and is driven 10,000 km per year, its second hand value is SEK 103,000, and the consumer has a yearly cost for insurance, service, and other costs amounting to SEK 11,850 annually. The

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6 Though road distance is not the same as CO₂ emissions, we nevertheless assume a perfect correlation between the two. We do this despite being aware that other factors, such as speed, time, acceleration, deceleration, road and weather conditions, and driver and vehicle types, are being ignored. Stead (1999), based on data from the 1989–1991 National Travel Survey, suggested using road distance as a proxy for vehicle emissions because of the ease of collecting and computing it. Previous work in Dalarna indicates that, while intersections and arterial roads imply higher emissions, emissions crucially depend on road distance (Carling, Håkansson, and Jia, 2013b; Jia, Carling, and Håkansson 2013). It is an approximation to replace CO₂ emissions with road distance, though it is a fairly good one, as also demonstrated in a sensitivity analysis by Carling et al (2015a).

7 This emissions rate is according to the EU norm for testing car emissions and refers to driving on a mixture of urban and non-urban roads. In 2012, newly registered cars in Sweden emitted 0.14 kg per km of CO₂, whereas the existing car fleet in Sweden emitted somewhat more CO₂.
The resulting cost per kilometer is SEK 3.20.

Emissions when on- and offloading the products and when moving it indoors are neglected, and emissions from transporting the products to the region’s boundary from the manufacturer are assumed to be the same irrespective of its being purchased online or in a store and are thus set to zero in the calculations. Moreover, we stipulate that each person in Dalarna is equally likely to purchase the package, i.e., that there is no geographical variation in the likelihood of a purchase although there may be geographical variation in shopping at a BM-store or online.

Maximum likelihood was used to estimate the value of $b$ as in equation (5) and it was found to be 4.7. In estimating this parameter we proceeded as follows. We assumed 2001 to be the first year of e-tailing and defined the random variable $T$ to be the number of years (starting the counter in 2000) until a switch from BM shopping to e-tailing. Further, we assumed that the variables in equation (5) are time-constant implying that $T$ is geometrically distributed governed by a parameter $p$. $p$ in turn relates to the sought parameter $b$ as $p = \gamma \left( \frac{p^{bm}}{p^o} - 1 \right) / b$ where we took the average of the relative price including transports between BM and e-tailing for all consumers in Dalarna to get $b$. In the ML-estimation of $p$ one needs to consider that the data is incomplete (left and right censored) in that the observed e-tailing consumers by 2003 may have switched in any of the years between the start and 2003 and that the majority had not been observed to have switched by 2014. Hence, the likelihood contribution of a consumer, requiring $t$ years to switch to e-tailing, is

$$L(t/b) = I[t \leq 3](1 - (1 - p)^3) + I[3 < t \leq 14]p(1 - p)^{t-1} + I[t > 14](1 - p)^{14}$$

(6)

where the indicator function $I[\cdot]$ takes on one if true and zero otherwise. The maximum of the likelihood function is found by a simple grid search.

At the outset all consumers in the region are labelled as having or having not switched to e-tailing in 2014 by applying equation (5) and assuming 2001 to be the first year of e-tailing in the region. Figure 2 illustrates how the share of e-tailing consumers varies spatially in the region according to the model. In the figure, the locations of the seven BM-stores as well as the online delivery points are also highlighted. As expected from the formulation of the theoretical model and in accordance with data available from surveys (HUI research 2012), consumers further away from the BM-stores (e.g. in the north of the region) are more likely to having switched to e-tailing by 2014.
Figure 2: The model implied spatial distribution of e-tailing consumers in Dalarna as of 2014.

4. The empirical effects of the VMT-tax

The size of the VMT-tax has been debated, but not settled. Hammar et al (2011) assumed the VMT-tax to amount to SEK 3.67 per kilometer and we have considered the same value. Recalling that the kilometer cost for trucks was SEK 13.50, the tax implies a substantial increase in the marginal price of transportation. From the consumer’s perspective, however, the transportation cost of the truck plays a marginal role on the price of the package. The average cost of truck transportation of the package was found to be less than SEK 25 to be compared with the total price SEK 1,500. Hence, it should not be expected that the VMT-tax will have strong behavioral effects on the consumers.

We examine how the VMT-tax affects the transition to e-tailing in the two scenarios depicted in relation to Figure 1 by assuming the tax to be introduced in the beginning of 2015. In Table 1a the projected proportion of switchers to e-tailing is given with and without the VMT-tax for the coming years under the first scenario of a moderate growth in e-tailing. In this scenario, the VMT-tax induces on average 0.43 percent less transition to e-tailing.

Table 1a: The effect of the VMT-tax on the e-tailing share and the CO₂ emissions related to a package of
consumer electronics for the average consumer in Dalarna under four assumptions of the price elasticity for consumer electronics. First scenario.

<table>
<thead>
<tr>
<th>Year</th>
<th>E-tailing share w/o tax</th>
<th>E-tailing share with tax</th>
<th>Relative diff (%)</th>
<th>CO₂ (kg) w/o tax</th>
<th>CO₂ (kg) with tax</th>
<th>Change (%) in CO₂ with tax for elasticity of:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>w/o tax</td>
<td>with tax</td>
<td>diff (%)</td>
<td>0</td>
<td>0.2</td>
<td>0.5</td>
</tr>
<tr>
<td>2015</td>
<td>23.2</td>
<td>23.2</td>
<td>-2.6</td>
<td>-0.8</td>
<td>-4.4</td>
<td>-10.5</td>
</tr>
<tr>
<td>2016</td>
<td>24.4</td>
<td>24.3</td>
<td>-3.7</td>
<td>-1.7</td>
<td>-5.4</td>
<td>-11.8</td>
</tr>
<tr>
<td>2017</td>
<td>25.6</td>
<td>25.5</td>
<td>-4.3</td>
<td>0.0</td>
<td>-4</td>
<td>-10.6</td>
</tr>
<tr>
<td>2018</td>
<td>26.7</td>
<td>26.5</td>
<td>-6.7</td>
<td>-1.7</td>
<td>-5.8</td>
<td>-12.5</td>
</tr>
<tr>
<td>2019</td>
<td>27.8</td>
<td>27.7</td>
<td>-8.3</td>
<td>1.1</td>
<td>-5.8</td>
<td>-12.8</td>
</tr>
<tr>
<td>2020</td>
<td>28.9</td>
<td>28.8</td>
<td>-10.1</td>
<td>1.4</td>
<td>-5.9</td>
<td>-13.1</td>
</tr>
<tr>
<td>2021</td>
<td>29.8</td>
<td>29.8</td>
<td>-1.0</td>
<td>0.7</td>
<td>-6.7</td>
<td>-14.3</td>
</tr>
<tr>
<td>2022</td>
<td>30.7</td>
<td>30.6</td>
<td>-3.3</td>
<td>1.6</td>
<td>-6.1</td>
<td>-13.9</td>
</tr>
<tr>
<td>2023</td>
<td>31.8</td>
<td>31.7</td>
<td>-3.8</td>
<td>2.6</td>
<td>-5.3</td>
<td>-13.2</td>
</tr>
<tr>
<td>2024</td>
<td>32.8</td>
<td>32.5</td>
<td>-10.1</td>
<td>4.5</td>
<td>-4.0</td>
<td>-12.4</td>
</tr>
<tr>
<td>2025</td>
<td>34.2</td>
<td>34.1</td>
<td>-13.2</td>
<td>2.6</td>
<td>-6.2</td>
<td>-15.2</td>
</tr>
</tbody>
</table>

Average: -4.3 | 1.9 | -1.0 | -5.4 | -12.8

We have computed the CO₂ emissions related to the transportation of a package of consumer electronics for the average consumer in Dalarna to be 7.59 kg if all shopping took place in BM-stores. In 2015 without a VMT-tax, the model suggests that 23.2 per cent of the shopping will be online thereby reducing the CO₂ emissions to 4.95 kg. With a growth in e-tailing to 34.2 per cent by 2025, the CO₂ emissions are further reduced to 3.89 kg. Introducing the VMT-tax in to the first scenario, the reduction in CO₂ emissions will be contingent on the price elasticity as illustrated in Table 1a. In the absence of a demand-effect, i.e. if the price elasticity is zero, the slower transition towards e-tailing due to the tax leads to 1.9 ‰ higher CO₂ emissions on average over the years to come. Making the reasonable assumption of a price elasticity of 0.5 (Clementz, 2008), the net effect of the tax is an additional reduction in CO₂ emissions with 5.4 ‰. Hence, it seems that the demand-effect of the tax on CO₂ emissions is countered to about 25 ‰ (i.e. (1.9/(1.9 − (−5.4))) by the LOE-effect.

A similar analysis for the second scenario with a stronger growth in e-tailing is presented in Table 1b. In comparison with the first scenario, the faster growth in e-tailing implies a greater reduction in CO₂ emissions without the tax, whereas the demand-effect of the tax on CO₂ emissions is more pronouncedly countered by the LOE-effect. For the case of a price elasticity of 0.5, the LOE-effect seems to be about a half of the demand-effect (i.e. (4.2/(4.2 − (−3.9))).

Table 1b: The effect of the VMT-tax on the e-tailing share and the CO₂ emissions related to a package of
consumer electronics for the average consumer in Dalarna under four assumptions of price elasticity. Second scenario.

<table>
<thead>
<tr>
<th>Year</th>
<th>E-tailing share w/o tax</th>
<th>E-tailing share with tax</th>
<th>Relative CO₂ (kg) w/o tax</th>
<th>Change (%) in CO₂ with tax for elasticity of 0</th>
<th>0.2</th>
<th>0.5</th>
<th>1.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>25.6</td>
<td>25.5</td>
<td>4.718</td>
<td>2.8</td>
<td>0.2</td>
<td>-3.8</td>
<td>-10.4</td>
</tr>
<tr>
<td>2016</td>
<td>27.8</td>
<td>27.7</td>
<td>4.515</td>
<td>2.2</td>
<td>-0.7</td>
<td>-4.9</td>
<td>-12.0</td>
</tr>
<tr>
<td>2017</td>
<td>29.8</td>
<td>29.6</td>
<td>4.321</td>
<td>5.6</td>
<td>2.5</td>
<td>-1.9</td>
<td>-9.5</td>
</tr>
<tr>
<td>2018</td>
<td>31.7</td>
<td>31.4</td>
<td>4.165</td>
<td>4.1</td>
<td>1.0</td>
<td>-3.8</td>
<td>-11.8</td>
</tr>
<tr>
<td>2019</td>
<td>33.3</td>
<td>33.2</td>
<td>4.017</td>
<td>4.5</td>
<td>1.2</td>
<td>-4.0</td>
<td>-12.4</td>
</tr>
<tr>
<td>2020</td>
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<td>2021</td>
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<td>2022</td>
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<td>37.5</td>
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<td>2024</td>
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<td>3.351</td>
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<td>-3.6</td>
<td>-14.9</td>
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<tr>
<td>Average</td>
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<td>4.2</td>
<td>1.1</td>
<td>-3.9</td>
<td>12.2</td>
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5. Discussion

The VMT-tax could provide a mean to fund roads when fuel tax revenues are in decline. Furthermore, it is commonly believed that it could also provide a mean to internalize some social and environmental negative externalities of road transports. However, the taxing of only trucks in the distribution of retail products means a partial tax on the carriage of the product to the consumer’s residence. From the theoretical work of Calthrop et al. (2007) it follows that the direction of the effect on CO₂ emissions of a partial taxing is unclear in spite of an obvious demand-effect. In most of the scenarios considered in this work, the demand-effect dominated the LOE-effect. However, this empirical work suggests that the indirect LOE-effect needs to be considered in, for instance, cost-benefit analysis of VMT-taxing.

The environmental consequence for CO₂ emissions of a VMT-tax is however trivial in comparison with the on-going shift towards e-tailing following from technological innovation in the distribution channel. The transportation of the package of products considered in this empirical work was estimated to on average generate 7.59 kg of CO₂ emissions had it been purchased in a BM-store. Today the average is about 5 kg of CO₂ emissions as a consequence of 20% being e-tailed, and the projection by 2025 of 40% being e-tailed would lower the average to about 3.4 kg. The shift from BM-store shopping to e-tailing to 40% implies a reduction of about 50% CO₂ emissions.
emissions in the transportation of the retail products, while the environmental result of a VMT-tax is in the order of 0.5%.

The quantitative assessment of a VMT-tax presented in this paper is indicative, but of course contingent on the premises given in section 3. Carling et al (2015a) provided an elaborated sensitivity analysis with regard to the premises concerning demographic and geographical consumer behavior used in this paper. Further, they also examined different transportation modes and logistic solutions. The sensitivity analysis in Carling et al (2015a) suggested the results to be robust to changes in these premises and this will then also be the case in our setting.

Some of the premises underlying our analysis deserve a short discussion. We have for example assumed here that the consumer travels solely for the purpose of picking up the package of products. To the extent shopping is an on-the-flow or multi-purpose activity, it would be inappropriate to entirely attribute the CO₂ emissions of the travel to retailing. However, as noted earlier an in-depth study of consumer shopping trip behavior was conducted in Borlänge, a centrally located city in the region under study (Carling et al 2013b; Jia et al 2013), where some 250 volunteer car owners were tracked for two months using GPS, and the typical travel behavior for trips to a store selling durable goods such as consumer electronics was to drive the shortest route from the home to the store, and then back again. Consequently, we approximated shopping-related trips using the shortest route in our analysis.

Finally, in this paper we have examined the environmental impact of transportation related to the retailing of consumer electronics, not the import or manufacturing of such products. It should, however, be noted that approximately 80% of the environmental impact of consumer electronics comes from manufacturing rather than transporting them (Weber et al. 2007). To properly internalize the social and environmental externalities of retail, not only the resulting transport, manufacturing ought also to be considered.

References


