

Pro Rail Activities of the Clean Air Action Group (Hungary)

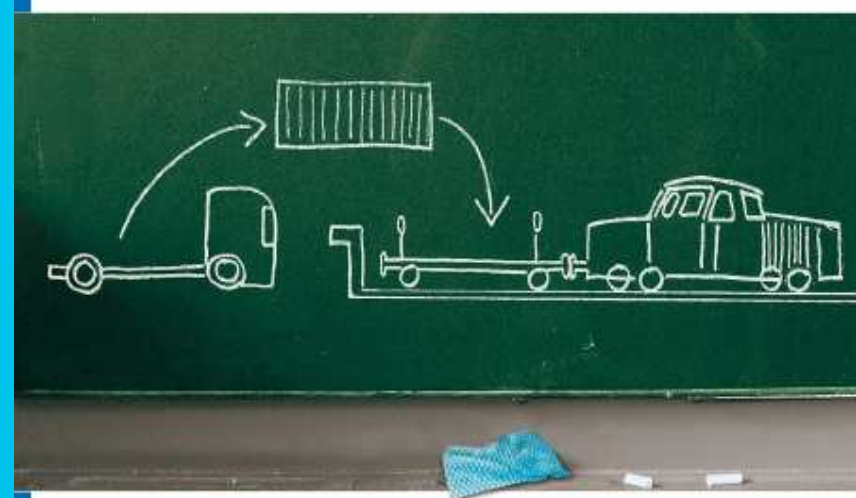
András Lukács
President

**International Meeting of Pro Rail Organisations
Amsterdam, 17 March 2008**



Város, vidék, vasút

Közúti pályás megoldások a regionális közlekedésben:
16 sikeres példa



Kamionról vasútra

13 sikeres átállás

Railway branch lines



In 2006 the government planned to close 28 branch lines (yellow color). Finally it closed 14.

In 2008 the government planned to close all remaining branch lines (yellow and light blue colors). Because of nationwide protests it did not close any of them. But these lines are gradually deteriorating due to the lack of maintenance.



Kiss Károly (szerk.)

Tiltandó támogatások

*Környezetvédelmi szempontból
káros támogatások a magyar gazdaságban*



KÖRNYEZETI ÉS TÁRSADALOM-
TUDOMÁNYI KUTATÁSI ÉS
TUDOMÁNYOS KÖZVETLEN

L'Harmattan

„Environmentally Harmful Subsidies in the Hungarian Economy”

Financed by the Hungarian
Ministry of Environment and
Water and the European
Commission's PHARE Program

State Expenditures for Trucks (million EUR, 2004)

| | |
|--|--------------|
| Road building and maintenance | 840 |
| Environmental, health damages, incl. accidents | 3440 |
| Env. damages of up- and downstream processes | 360 |
| Congestion | 80 |
| Damages to roads, buildings, utilities | 800 |
| Damages to other vehicles due to road damages | 2400 |
| Tax evasion on wages | 440 |
| Other tax and customs evasions | 720 |
| Violation of regulations on road safety etc. | 520 |
| Preferential per diem abroad | 40 |
| Free parking | 80 |
| Anti-market measures for rail freight | 400 |
| TOTAL | 10120 |



State Revenues from Trucks (million EUR, 2004)

| | |
|---|------------|
| Excise duty on fuels | 216 |
| Annual vehicle tax (on Hungarian vehicles) | 48 |
| Vehicle transfer fee | 4 |
| Environmental product charges | 20 |
| Excess weight fee | 4 |
| Motorway toll | 24 |
| Vehicle tax (on foreign vehicles) | 12 |
| TOTAL | 324 |

Total subsidy for trucks in Hungary in 2004:

**$10120 - 320 = 9800$ million EUR \approx
 ≈ 10 billion EUR**

How much damage do heavy trucks cause to roads, buildings, utilities by their vibration?

How much damage do they cause indirectly to other vehicles by the damaged roads?



State Expenditures for Cars (billion HUF, 2004)

| | |
|---|-------------|
| Tax evasion by accounting private use as official | 860 |
| Road building and maintenance | 165 |
| Free parking | 350 |
| Environmental, health and similar damages | 850 |
| Env. damages of up- and downstream processes | 190 |
| Congestion | 110 |
| Damages to roads, buildings, utilities, other vehicles | 60 |
| Tax evasion on fuels | 70 |
| TOTAL | 2100 |

State revenues from cars in 2004 (billion HUF)

| | |
|--------------------------------------|------------|
| Excise duty on fuels | 335 |
| Registration tax | 61 |
| Company car tax | 26 |
| Annual vehicle fee | 22 |
| Vehicle transfer fee | 16 |
| Motorway toll | 13 |
| Environmental product charges | 5 |
| TOTAL | 479 |

Total subsidy for cars in Hungary in 2004:

$$2100 - 500 =$$

= about 1600 billion HUF

Loss of state revenues of personal income tax and social security tax due to illegal accounting of private use (or non-use) of cars as company use:

EUR 2.8 billion/year

(equal to about 3% of the GDP)

Tax Evasion by Illegal Accounting of Car Use



Study of the Clean Air Action Group

by

***Lázár Pavics, economist, expert on macroeconomics,
and, economists, financial auditors***

financed by

**the Hungarian Ministry of Environment and Water
and the European Commission's Phare Access
Program**

This study has proved to be unique:

1. It was the first which ever showed the amount of tax evasion related to company cars and „company use of cars”.
2. It described for the first time the methods used for tax evasion.
3. It made concrete recommendations to eliminate (or at least reduce) the tax evasion.

**Company car tax:
quite high,
but very few pay it...**

... because there is no company car tax obligation, if the company car is not used for private purposes, or if the private person pays for such occasions.

If a car owned by a private person is used for company purposes, the fuel costs and EUR 0.04 can be paid per kilometre as company cost (no personal taxes to be paid).

The tax authorities have no possibility to control whether the car is really used for company purposes...



Therefore very often private use is paid for as if it was company use.

The tax authorities cannot control even if the car was used at all. Therefore quite often money is paid to the employees for kilometers which have never been made (i.e. this money is paid as a wage – but without taxes).

This situation is an enormous incentive for car use, and even more for the purchase of cars.

***Concrete recommendations
are made by the study***

**The Finance Ministry
acknowledged the problem,
but did not take any steps.**

**No politician dares to raise the
issue.**

All this cannot be publicized in the Hungarian press:

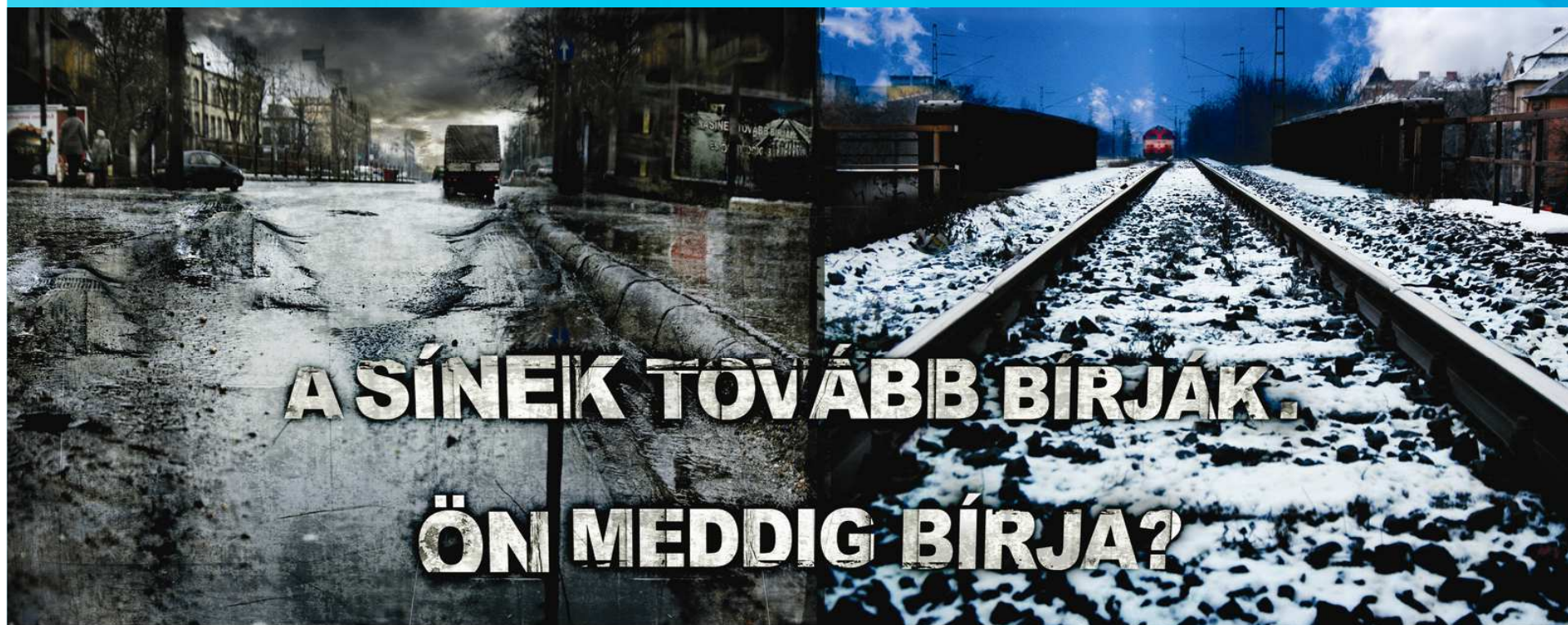
- **the press is very much dependant on car advertisements,**
- **it does not wish to publish something which might evoke discontent among most of its readers,**
- **the journalists, members of their families etc. also widely use this method of tax evasion.**

What can you recommend to reduce tax evasion by illegal accounting of car use (experience of other countries)?



Campaign

FREIGHT: FROM ROAD TO RAIL



Készült az Oak Foundation támogatásával.



www.levego.hu/kamionstop



Levegő Munkacsoport

Funded mostly by the Oak Foundation

Kick-off press conference of the campaign (inside a container) in January 2006



Advertisements:

- **Television (30 second spot)**
- Newspapers
- Giant posters
- Small posters in metro

Letters to

- all mayors in Hungary (3200)
- all members of the Parliament
- ministers

30-minute film

Wide press coverage

300 billboards on the roads in Hungary



Conference on truck traffic organised by CAAG in the House of the Members of Parliament



LEVEGŐ MUNKACSOPORT - KAMIONRÓL VASÚTRA - Mozilla

Eőjl Szerkesztés Nézet Ugrás Könyvjelzők Feladatok Ablak Sőgő

Vissza Előre Frissítés Leállítás <http://www.levego.hu/kamionstop/> Keresés Nyomtatás

WWW.LEVEGO.HU A SÍNEK TOVÁBB BÍRJÁK ENGLISH KAPCSOLÁK VISSZA A FŐOLDALRA

Mit tehet Ön? **www.levego.hu/kamionstop**

Kamionról vasútra

Rohamosan növekszik a kamionforgalom, aminek egyre súlyosabb kárait tapasztalhatjuk:

- Egy 30–40 tonnás kamion annyi kárt okoz az úttestben, mint több százezer személyautó.
- A kamionok által tönkretett utak miatt évente több száz milliárd forint kár keletkezik a járművekben (főleg a személyautókban).
- A kamionok kipufogógáza a legmérgezőbb anyagok közé tartozik.
- A kamionok zaja sokszorosan meghaladja azt az értéket, amelyet egy ember egészségkárosodás nélkül tartósan el tud viselni.

Rövid tájékoztató

10 mp-es tévéspot

30 mp-es tévéspot

32 perces film

Közüvélemény-kutatás

A Levegő Munkacsoport kiadványai

Egyéb anyagok

<http://www.levego.hu/kamionstop/30mptv.html>

Levego Munkacsoport

In 2007 the Hungarian Government decided to introduce a kilometer-fee for trucks in 2009.

It also decided to increase subsidies for combined transport. This did happen.



Kilometer-fee for trucks in Hungary

Implementation is constantly delayed.

Main counterarguments:

- **Negative effect on competitiveness**
- **Only very small fee can be introduced on roads built with EU-funding.**
- **High cost of implementation and control**

**Do you know any studies we can use
to show that introducing the
kilometer-fee for trucks will not hurt
the Hungarian economy?**



“(9) Tolls should be based on the principle of recovery of infrastructure costs. In cases where such infrastructures have been co-financed through the general budget of the European Union, the contribution made from Community funds should not be recovered through tolls, unless there are specific provisions in the relevant Community instruments which take into account future toll receipts in establishing the amount of Community co-financing.”

DIRECTIVE 2006/38/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 May 2006 amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures

CAAG's proposal to amend this part of the Eurovignette Directive

"(9) Tolls should be based on the principle of recovery of infrastructure costs. In cases where such infrastructures have been co-financed through the general budget of the European Union, the contribution made from Community funds **might be recovered through tolls only if the sum equal to the Community contribution is used for financing development of the public transport and/or railway infrastructure and/or rolling stock.**

Reasons for the amendment

The present article

- **contradicts the polluter pays principle,**
- **contradicts the principles of free market,**
- **contradicts the EU's sustainability criteria.**

**The Member States should not be punished
for acting according to these principles!**

**What is your opinion about such
an amendment of the
Eurovignette Directive?**



Petition of the Clean Air Action Group to the European Parliament's Petition Committee

The original petition

- **Subject:** The ISPA funding of the Hungarian road strengthening programme
(Project 2001/HU/16/P/PT/006).
- **The purpose of the project:** To finance the raising of the axle-load standard bearing capacity of Hungarian roads from 10 to 11.5 tons
- **Date of the submission:** 29th June 2004.
- **The purpose of the petition:** To take a stance on the non-compliance of such fundings
- **Findings:** No substantive outcome as yet

Our conviction is that the funding does not comply with...

- **the prohibition of state aid distorting competition (Article 87 of the Treaty)**
- **the Free Market Principles (Articles ... of the Treaty)**
- **the Polluter Pays Principle (Article 174 of the Treaty)**
- **the Sustainability Principles (*The Council Regulation on ISPA: "Community assistance under ISPA should (...) contribute to the sustainable development in these countries". and "the Community shall provide assistance under ISPA (...) for the following: (b) transport infrastructure measures, which promote sustainable mobility..."*)**
- **the intention to revitalise the railways (*Communication from the Commission to the Council and the European Parliament: Towards an integrated European railway area, 2002*)**
- **the White Paper on Common Transport Policy (2001).**

The road strengthening is required by EU regulations, therefore this programme must be implemented.

However, in our view, it should not be paid by the EU taxpayers, but by the users.



The supplementary petition

- **Subject: The Commission Decision (CCI. 2007HU161PO007) on the Cohesion/Structural Funds aid to the Hungarian Transport Operational Program**
- **The purpose of the project: To finance Hungarian transport infrastructure projects (mainly expressway constructions)**
- **Date of the submission: 25th August 2007**
- **The purpose of the petition: To take a stance on the non-compliance of funding the road infrastructure constructions from the EU taxpayers' money**

According to the Transport Operational Program and the Regional Operational Programs in the framework of the National Development Reference Framework of Hungary a large part of the EU aid for the years 2007–2013 would be spent on funding road transport projects – mainly new motorways and expressways.

Our concerns in details

- Road transport is already heavily subsidized by the state – partly directly, but largely indirectly.
- This is recognized also by the White Paper “European Transport Policy for 2010: Time to Decide”
‘one of the important reasons why imbalances and inefficiencies have arisen is because transport users have not been adequately confronted with the full costs of their activities ...
- The further subsidizing of road transport would aggravate this situation.
- The projects leads to a serious distortion of the market (e.g. against rail transport),
- The project is economically and financially unsustainable, and leads to further deterioration of the environment.

Violated sections of the EU acquis

- Article 3: „the activities of the Community shall include (...): (...) (g) a system **ensuring that competition in the internal market is not distorted;**”
- Article 174: “Community policy on the environment shall aim at a high level of protection taking into account the diversity of situations in the various regions of the Community. It shall be based on the precautionary principle and on the principles that preventive action should be taken, that environmental damage should as a priority be rectified at source and that **the polluter should pay.**”
- The White Paper “European Transport Policy for 2010: Time to Decide”: “A modern transport system must be sustainable from an economic and social as well as an environmental viewpoint.”

The SEA and the regulation of the Funds

- The Strategic Environmental Assessment states that this Operational Program is **unsustainable**. Therefore further EU financial aid to these modes of transport would **violate the EU acquis**:
- The Council Regulation (EC) No 1084/2006 establishing a Cohesion Fund:
*“Article 1: A Cohesion Fund (hereinafter referred to as “the Fund”) is hereby established for the purpose of strengthening the economic and social cohesion of the Community in the interests of **promoting sustainable development**.”*
- The Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund:
*Article 3 : „The action taken by the Community (...) shall be designed to strengthen the economic and social cohesion of the enlarged European Union in order to promote the **harmonious, balanced and sustainable development of the Community**. (...) The action taken under the Funds shall incorporate, at national and regional level, the Community's priorities in favour of sustainable development by strengthening growth, competitiveness, employment and social inclusion and **by protecting and improving the quality of the environment**.”*
*Article 17: The objectives of the Funds **shall be pursued in the framework of sustainable development and the Community promotion of the goal of protecting and improving the environment** as set out in Article 6 of the Treaty.*
- The Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013: „the **principle of environmental sustainability should be respected** to the greatest possible extent, in accordance with the White Paper 13. Balancing the dominance of road transport in Europe by promoting alternative modes and combined transport should be a key concern.”



Kiss Károly (szerk.)

Tiltandó támogatások

*Környezetvédelmi szempontból
káros támogatások a magyar gazdaságban*



KÖRNYEZETI ÉS TÁRSADALOM-
TUDOMÁNYI KUTATÁSI INTÉZET

L'Harmattan

„Environmentally Harmful Subsidies in the Hungarian Economy”

Financed by
the European Commission's
PHARE Program and
the Hungarian Ministry of
Environment and Water

So the Hungarian Transport Operational Program, if implemented in the way it is planned now, means that road transport – which is already disproportionately highly subsidised – will be further subsidised by the EU taxpayers.

This would lead to an even more serious distortion of the market. This is economically and financially unsustainable, and contributes to the further deterioration of the environment.

If road building is necessary, then it should be paid by the users. For example, if Hungary would introduce an appropriate km-fee for trucks, the revenue from this source in itself could be more than the expected EU aid for road building. Another possibility would be to reduce tax evasion by car users.

Proposed text of the Petition for NGOs and citizens of Old Member States

Title of your petition:

“Supplement to the petition concerning the non-compliance of the EU aid to the Hungarian transport infrastructure with the community legislation (Reference Number: Petition 0621/2004)”

Text of your petition:

“Having read about the petition filed by the Clean Air Action Group. Hungary ([http://www.levego.hu/index.php?event=Language#showNewsUp\(1954\)](http://www.levego.hu/index.php?event=Language#showNewsUp(1954))), we would like to call to your attention that we are seriously concerned that the European Commission is spending the EU taxpayers’ money in a way which might contradict fundamental parts of the EU legislation. We also believe that it will be very hard to explain to the taxpayers in the UK, why the EU spends money to subsidize road building in the new Member States on one hand, while on the other hand it is asserting that road transport does not pay its costs. And it seems even more difficult to explain that severe measures are needed in all Member States (including the UK) to control climate change when the old Member States are subsidizing investments increasing greenhouse gas emissions in the new Member States.

Therefore we request the Committee on Petitions of the European Parliament to urgently investigate the compliance of the **Commission Decision No. B(2007) 3794 dated 01.08.2007 on the Cohesion Fund and European Regional Development Fund (ERDF) aid to the Hungarian Transport Operational Program** with the EU acquis. In addition we request the Committee on Petitions to initiate the following: The European Parliament should take a stance on the matter of Cohesion Fund and ERDF funding in such cases.”

Proposed text of the Petition for NGOs and citizens of New Member States

Title of your petition:

“Supplement to the petition concerning the non-compliance of the EU aid to the Hungarian transport infrastructure with the community legislation (Reference Number: Petition 0621/2004)”

Text of your petition:

“Having read about the petition filed by the Clean Air Action Group. Hungary ([http://www.levego.hu/index.php?event=Language#showNewsUp\(1954\)](http://www.levego.hu/index.php?event=Language#showNewsUp(1954))), we would like to call to your attention that we have remarked similar problems with EU aid to our country, too. In our opinion the decision of the European Commission to provide aid for road construction and maintenance in our country from EU funds contradicts the same parts of the EU legislation as described in the Petition 0621/2004. Therefore we request the Committee on Petitions of the European Parliament to investigate the compliance of this Commission Decision with the EU acquis. In addition we request the Committee on Petitions to initiate that the European Parliament to take a stance on the matter of Cohesion Fund and ERDF funding in such cases.”

Would you be willing to send such a petition to the European Parliament?

Would you be willing to write to members of the Committee on Petitions from your country?

Any other ideas for urging the Committee on Petitions to take appropriate stance on the issue?

?

Köszönöm a megtisztelő figyelmüket!

Levegő Munkacsoport
www.levego.hu
lukacs@levego.hu



