State subsidies to transport in Hungary

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Since 1991 the experts of the Clean Air Action Group (CAAG – a national federation of Hungarian environmental NGOs) have been making calculations concerning the state revenues expenditures relating to transport. In 2004 a new research was undertaken by CAAG, financed by the European Commission's PHARE ACCESS Program and the Hungarian Ministry of Environment and Water. This resulted in the most comprehensive study ever on this issue in Hungary. The report was published in March 2005. Here we present a summary of the results concerning road motor vehicle transport.

In 2004 the state revenues from taxes and charges on cars and trucks amounted to HUF 560 billion. The majority of this amount (HUF 390 billion) came from the excise duties on fuels. Further items between HUF 10 and 50 billion are the following: registration tax, annual tax on motor vehicles, tolls, transfer duties on motor vehicles, tax on company cars, and environmental product fees.

State expenditures or uncollected revenues relating to road motor vehicle transport added up to about HUF 4700 billion. This meant a deficit of more than HUF 4100 billion. This can be considered as the amount of subsidies for road transport, which in turn equals to 20% of the GDP in 2004. From this, state revenues relating to cars amounted to HUF 480 billion, and the expenditures exceeded HUF 2000 billion, which means that the amount of subsidies was more than HUF 1500 billion. State revenues related to road freight transport were HUF 80 billion, whereas expenditures amounted to HUF 2600 billion. Thus the amount of subsidies was more than HUF 2500 billion. Beyond that, damages caused by heavy goods vehicles are estimated to at HUF 1000 billion, however, most of these are paid by all the participants of transport, primarily by the owners of private cars. (Thus, as regards transport as a whole this is not an external cost but an enormous cross-financing within the sector that cannot be supported by rational arguments.) These are mean values; the approximated deviation is about -30% and +50%.

Where does this huge amount of state expenditures and loss of revenues come from? The first source is the environmental and health damages of about HUF 2000 billion. Then comes the governmentally tolerated practice of accounting private use of passenger cars as company costs: such tax evasion leads to a loss of revenues of more than HUF 600 billion. In 2004 the national and local governments spent about HUF 460 billion for road construction and maintenance. Free parking added up to a subsidy of about HUF 360 billion. Congestion costs were approximately HUF 150 billion. Fuel manipulations (e.g. fuel smuggling) resulted in a loss of HUF 160 billion.

The amount of money gained by road hauliers from tax-fraud, smuggling, and infraction of traffic safety rules and other regulations equaled to about HUF 300 billion. The competitive advantage of road hauliers was about HUF 100 billion due to the fact that the state deprives railway transport, its primary competitor, of this amount of money in a way which is contradictory to the principles of market economy.

The afore-mentioned figures apply only to 2004. Nevertheless, we ought to take into consideration that similar subsidies have been accumulating earlier year by year. Unpaid competitive advantage that accumulated in the previous years benefited the owners of cars and trucks with further subsidies of HUF 4700 billion in 2004 (HUF 2500 billion Ft, and HUF 2200 billion, respectively), if we assume that all these subsidies should be repaid by them within 15 years. Taking into account this figure as well, in 2004 subsidies for motor vehicle road transport amounted to nearly HUF 9000 billion, which equals to 44% of the GDP.

These amounts include only those subsidies that could be quantified by the researchers. Further research is needed to quantify still a number of items. An example is the one-sided information and often even misinformation in the media that favour car and truck transport over other transport modes.

Another example is the cost of future risks. The fact that our society is more and more based on the opportunities provided by road transport might lead to enormous further costs in the future. These opportunities are now largely the basis for how our settlements develop, how the economic actors establish their relationships, and how individuals organize their life. In the same time environmental pollution increases exponentially, oil-reserves of the Earth will become more scarce and expensive to extract, economies based on foreign energy sources might be threatened by political uncertainties (e.g. in Iraq), and world population will be increasing continuously. In case road transport suffers a serious setback as a result of any of these reasons or their combinations, highways, malls built in the suburban areas, housing estates with accessibility only by car, just-in-time producing factories etc. will be much less used or even have to be abandoned completely. Consequently, the social and economic structure of the country in such a case will have to be entirely transformed. It is evident that this would require tremendous expenses which are not included in the above mentioned calculations.

The full study can be found in Hungarian at: http://www.levego.hu/konyvtar/olvaso/kozl_tam.pdf

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