

Young Researchers Seminar 2009

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The Crucial Role Of Regular Public Road Financing

The Case Of Hungary

Ágnes Orsolya Kiss



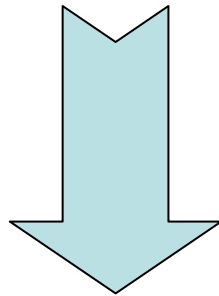
Contents

- The aim of the study
- Analysing public road expenditure
- Domestic market environment
 - Adapting strategies to the hectically changing market
- Relationship between public roads costs and fiscal effects
- Conclusion

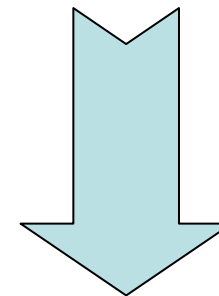
2/13

The Aim of the Study

The negative effects of **low** and **unstable** road financing



economic
development,



state's fiscal
revenues.

3/13

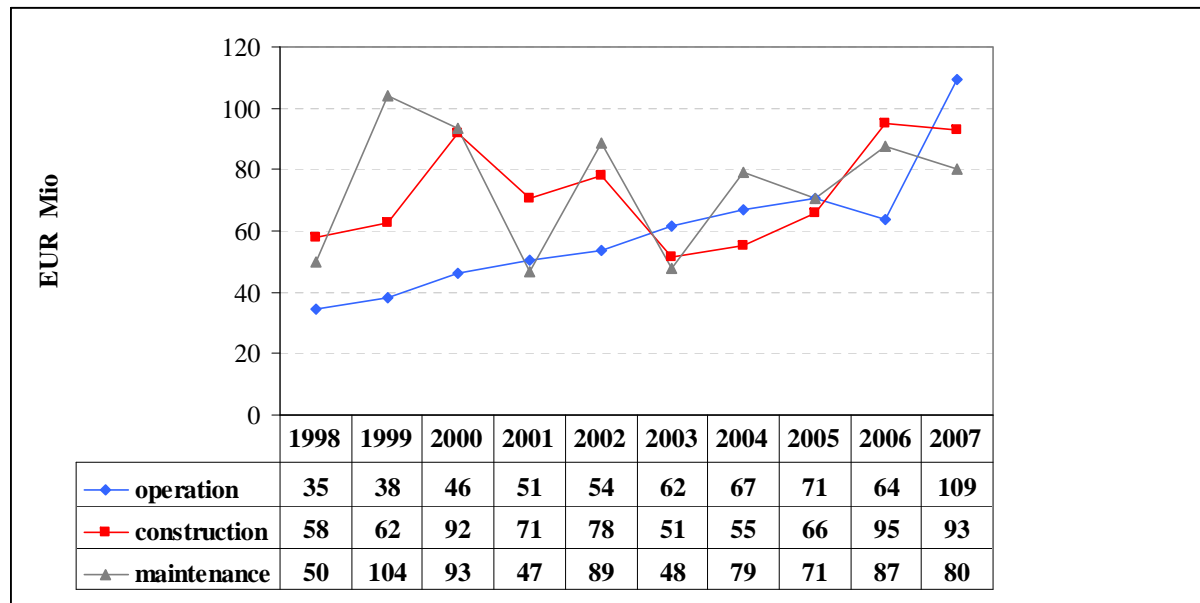
Analysing the Public Road Expenditures

- A road fund was established in 1989 collecting roughly **10% of the retail fuel price as an earmarked tax.**
- The Government abolished this road fund on in 1999, with the goal of restoring budgetary unity and control of public spending by Ministries having responsibilities for monetary and fiscal policy.
- Therefore financing public roads became highly dependent upon short term priorities and **annual budgetary reallocation of public resources.**

4/13

Analysing the Public Road Expenditures

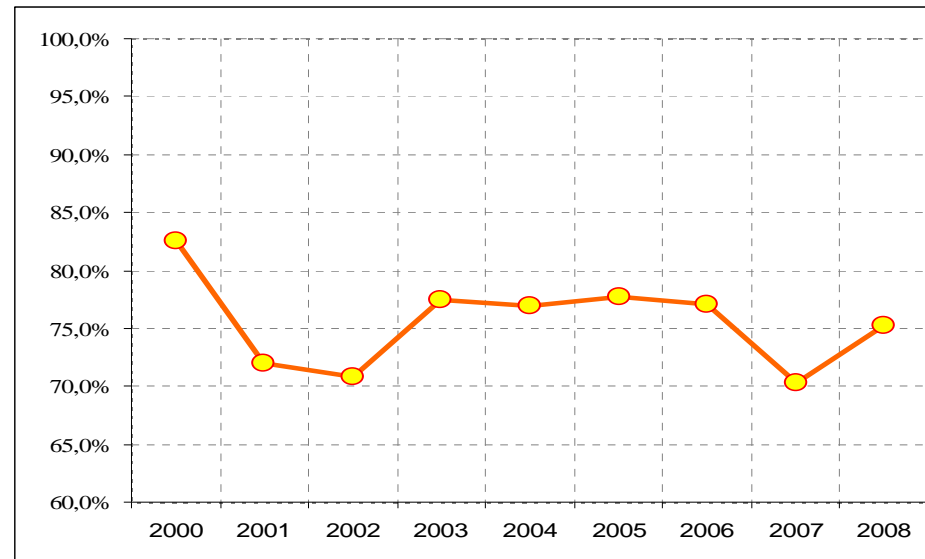
Financing public roads operation (winter operation, road markings, signal lights), maintenance (clearing, scraping or treating) and construction costs



5/13

Analysing the Public Road Expenditures

Comparing realized and necessary expenditure on the operation, maintenance and construction costs



6/13

The Crucial Role Of Regular Financing Of Public Roads

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Domestic Market Environment

The number of companies by the number of their employees

		2003	2004	2005	2006	2007
	Unknown	87	107	118	130	180
Small- and medium size companies	Under 10 person	671	707	783	874	887
	10 - 49 person	140	141	159	169	154
	50 - 99 person	16	20	17	20	29
	100 - 249 person	11	12	11	8	7
	Total	925	987	1088	1201	1257
Large companies	250 - 499 person	4	5	5	3	4
	500 - 999 person	1	1	1	3	3
	Total	5	6	6	6	7
Total		930	993	1094	1207	1264

➤ The number of small and medium-size companies is constantly increasing.

7/13

Adapting Strategies to the Hectically Changing Market

- Hectic government orders induces the need for **rapid changes of the capacities** (the **personal and instrumental**).
- The labour force is employed in a smaller-than-necessary number.
- Working with **temporary hired workers**, or sub-contractors.

Danger: **employment without registration** increase.

8/13

Relationship Between Public Roads Costs and Fiscal Effects

The factors regurgitated into the national budget:

- After every **EUR 3.3 Mio** of net expenditure on road financing approximately EUR **0.2 Mio** is paid into the budget **instead of** EUR **0.66 Mio** (due to the illegal labour, carousel fraud, legal reduction factors).

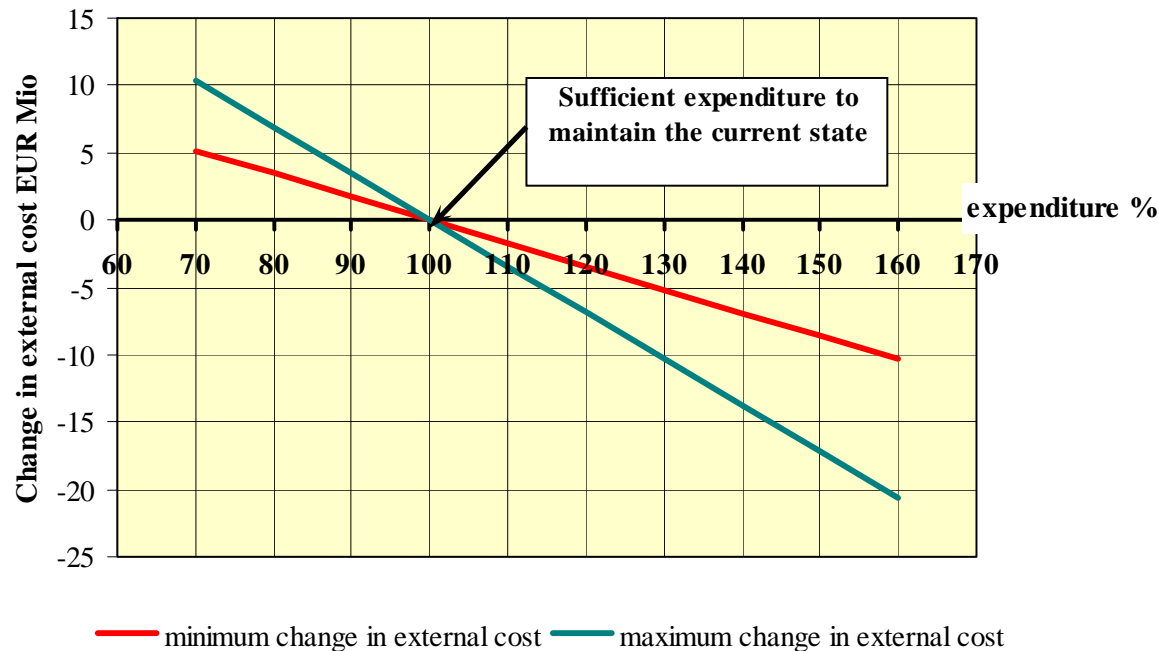
Positive effect on employment:

- EUR **3.3 Mio extra** spending would create jobs for minimum **34** persons or maximum **108** persons (varying by road categories and the type of work).

9/13

Relationship Between Public Roads Expenditures and External Costs

Variation in external cost depending on expenditure at road maintenance



10/13

Conclusion

Non-regular and insufficient road financing cause losses for the society by:

- lack of positive influence on economic growth,
- less fiscal revenues,
- extra external costs.

Long-term and **stable** financial conditions are crucial!



11/13

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**THANK YOU FOR YOUR KIND
ATTENTION!**

12/13

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Question Time



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