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D 3.3.2 National state aid report Hungary

State-aid schemes for funding investments in ports (public funding)

Work Package 3

Activity 3.3 State-aid schemes for funding investments in ports

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1 Scope of the document

The objective of work package 3 of DAPhNE Project is to adopt a joint harmonized approach in regards to legal port issues in order to apply the Same River, Same Rules principle. In the long run, this will secure a balanced development of Danube ports as buzzing economic centers. To this end, the representatives from the private and public port sector all along the Danube (RO, HR & BG Ministries of Transport, port administrations and port associations) join forces to investigate the issues regarding port legislation & public funding.

The scope of the document is to identify the role of public funding in relation *to inland cargo port investments in the Danube region*. Thus, development of maritime ports, river ports other than Danube, as well as port developments financed solely by private entities are not the scope of the project. If a port is both maritime and inland cargo port, the activities shall be split between the inland and maritime port functions in this document.

1.1 General terms

1.1.1 State aid and non-state aid

In principle based on Article 107 (1) of the Treaty on the Functioning of the European Union (TFEU), any aid granted by a Member State or through state resources in any form is generally prohibited. The reason of the prohibition is that state aid distorts or threatens to distort competition in the internal market. Favouring certain undertakings or the production of certain goods through state funds that can be either direct i.e. grants provided or indirect, e.g. exemptions from any payment obligations to the state budget is deemed to have an adverse effect on the trade between Member States.

A measure shall be considered as state aid if involving all the following attributes:

- transfer of state resources;
- economic advantage: the aid reduces the costs normally borne in the budgets of the beneficiary undertakings;
- selectivity: the aid favors certain undertakings or the production of certain goods;
- distortion of competition, and
- effect on trade between the Member States.

Transfer of state resources means the use of funds belonging to or being controlled by and imputed to public authorities. The form in which this transfer takes place is irrelevant from state aid perspective.

The private investor test is to assess whether there is an economic advantage involved for the beneficiary. This means that the economic advantage shall be established of the state did not act in the same way as a private investor would have acted.

Where aid benefits only products which are not subject to inter-state trade or where trade is affected only at a purely national level, the measure will not fall within the scope of prohibited state aid. This does not mean that only measures relating to exports or imports from a Member State to another are affected by Article 107 (1) TFEU. It may be that several circumstances in which aid is granted will lead to affecting the trade between Member States. When for instance aid strengthens the position of an undertaking compared with others competing in intra-Union trade, the latter shall be affected by the aid even if the beneficiary itself is not involved directly in exporting or importing goods.[1]

Despite the general prohibition of State aid, in some circumstances government interventions are necessary for a well-functioning and equitable economy. Certainly, there are exemptions from the principle of state aid prohibition. First there are exemptions where the aid shall be considered to be compatible with the internal market and thus involving no competition distortions. Then there are aid measures that, under certain conditions, might be compatible with the approach of the internal market.

The measures qualified as compatible by the TFEU are of a social and reparative nature, i.e. (1) social aid, granted to individual consumers, provided that such aid is granted without discrimination related to the origin of the products concerned; (2) aid to restore damages caused by natural disasters or exceptional occurrences; (3) aid granted to the economy of certain areas of the Federal Republic of Germany affected by the division of Germany.

The following may be considered to be compatible with the internal market:

- aid to promote the economic development of the seriously underdeveloped areas;
- aid to promote the execution of an important project of common European interest or to remedy a serious disturbance in the economy of a Member State;
- aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest;
- aid to promote culture and heritage conservation where such aid does not affect trading conditions and competition.

Apart from the above, other categories of aid may be specified and deemed compatible by decision of the Council.

[1] Case 730/79 Philip Morris v Commission [1980] ECR 2671

1.1.2 Port and port infrastructure[2]

Port

'Port' means an area of land and water made up of such infrastructure and equipment, so as to permit the reception of waterborne vessels, their loading and unloading, the storage of goods, the receipt and delivery of those goods and the embarkation and disembarkation of passengers, crew and other persons and any other infrastructure necessary for transport operators in the port.

Maritime port

'Maritime port' means a port for, principally, the reception of sea-going vessels.

Inland port

'Inland port' means a port other than a maritime port, for the reception of inland waterway vessels.

Port infrastructure

'Port infrastructure' means infrastructure and facilities for the provision of transport related port services, for example berths used for the mooring of ships, quay walls, jetties and floating pontoon ramps in tidal areas, internal basins, backfills and land reclamation, alternative fuel infrastructure and infrastructure for the collection of ship-generated waste and cargo residues.

1.1.3 Specific terms and types of public funding

The importance of public funding in port development varies from country to country and as well as the relevant public aid scheme.

In order to analyze the public funding practice of the Danube Region countries, it is necessary to clarify the key concepts and definitions of public funding. The common understanding of the following terms is very important to fill in the attached Excel-sheet with information on public granted port developments.

Individual aid

'Individual aid' means:

(i) ad hoc aid; and

(ii) awards of aid to individual beneficiaries on the basis of an aid scheme.[3]

[2] Definitions are taken from the Commission Regulation (EU) 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 as regards aid for port and airport infrastructure, notification thresholds for aid for culture and heritage conservation and for aid for sport and multifunctional recreational infrastructures, and regional operating aid schemes for outermost regions and amending Regulation (EU) No 702/2014 as regards the calculation of eligible costs

[3] Definition of the article 2 (14) of Commission regulation (EU) No 651/2014 (GBER regulation)

Aid scheme

"Aid scheme" means any act on the basis of which, without further implementing measures being required, individual aid awards may be made to undertakings defined within the act in a general and abstract manner and any act on the basis of which aid which is not linked to a specific project may be granted to one or several undertakings for an indefinite period of time and/or for an indefinite amount[4].

Aid intensity

"Aid intensity" means the aid amount expressed as a percentage of the eligible costs.

Aid category

'State aid' and 'non-state aid' categories according to Article 107 (1) TFEU, (e.g. de minimis or aid for local infrastructures[5])

2 Overall presentation of Danube Ports in Hungary

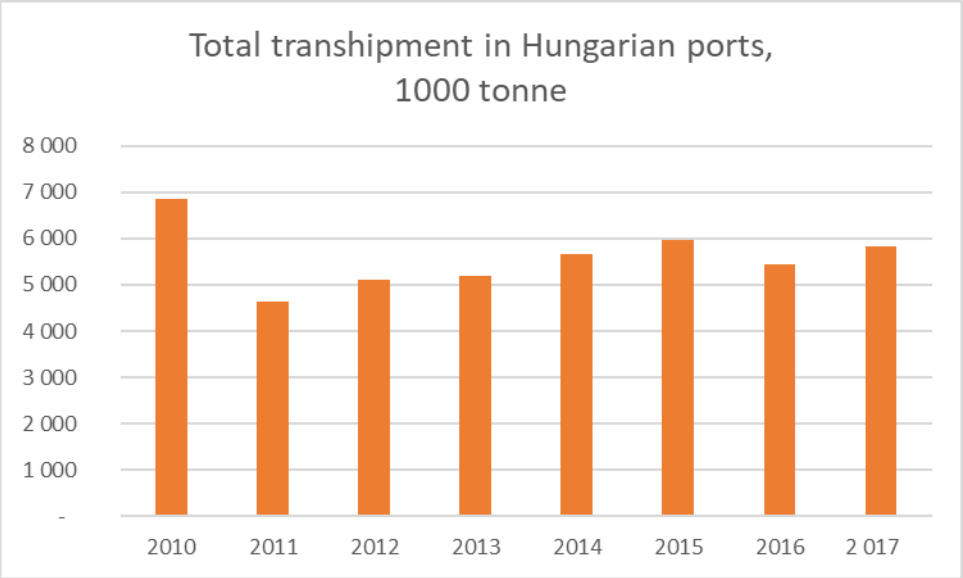
2.1 General information of Danube ports

Modal split of waterborne transport in Hungary

The total volume of waterborne transport volume performed by Hungarian commercial ports has been changeable throughout the past eight years. These figures represent the transhipped cargo volume in Hungary, excluding transit volume. As it will be detailed in later chapters, a significant proportion of the total transhipment volume stems from agricultural production, which is strongly determined by the weather conditions of the given year.

The total transhipment volume of 2010, just as the volume of transhipped agricultural products, were significantly higher than the volumes of the other years between 2011-2017.

[4] Definition of the article 2 (15) of Commission regulation (EU) No 651/2014 (GBER regulation)
[5] Aid categories are detailed in Commission Regulation No 651/2014



Source: Ministry of National Development, Hungary

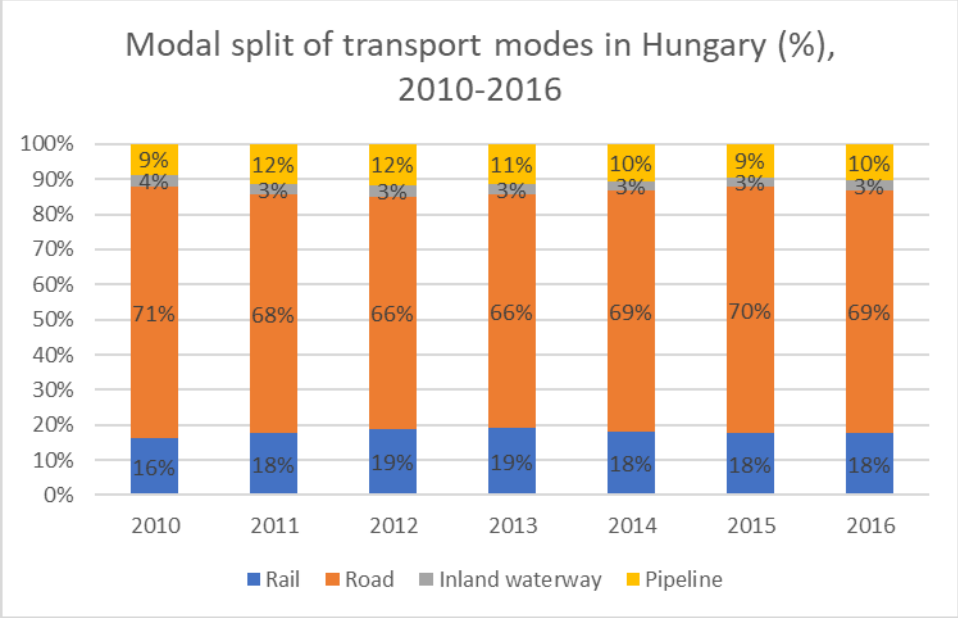
When discussing the performance of waterborne freight transport and the development plans of the infrastructure in order to promote environmentally friendly transport modes instead of road transport, the modal split of all the means of transport is a fundamental indicator to take into consideration.

Though the total volume of waterborne freight transport – including transit - presented the highest figures in 2010, 2012, 2015 and 2016, these peaks are not reflected in the modal split of transport modes in Hungary.

Year	Rail	Road	Inland waterway	Pipeline	Total freight volume
2010	45 794	199 848	9 952	24 410	280 021
2011	47 424	182 840	7 175	31 050	268 501
2012	46 884	165 514	8 135	29 140	249 679
2013	49 085	169 210	7 857	28 949	255 109
2014	50 593	193 112	7 825	29 438	280 976
2015	50 333	198 743	8 163	26 666	283 926
2016	50 047	197 762	8 224	29 659	285 736

Source: Eurostat

Despite of the comprehensive transport development plans of the European Union to raise the share of rail and waterborne transport within the total freight volume, the share of IWT volumes is still marginal (3% in 2016), even lower than in 2010. The relative share of waterborne transport compared to other transport modes is presented on the below chart:



Source: Eurostat

Number of ports in Hungary

On the Hungarian section of the Danube, there are several public and private owned ports, operated by different entities. On the Hungarian section of Tisza river, there are also smaller ports, but they are not in the scope of the present study.

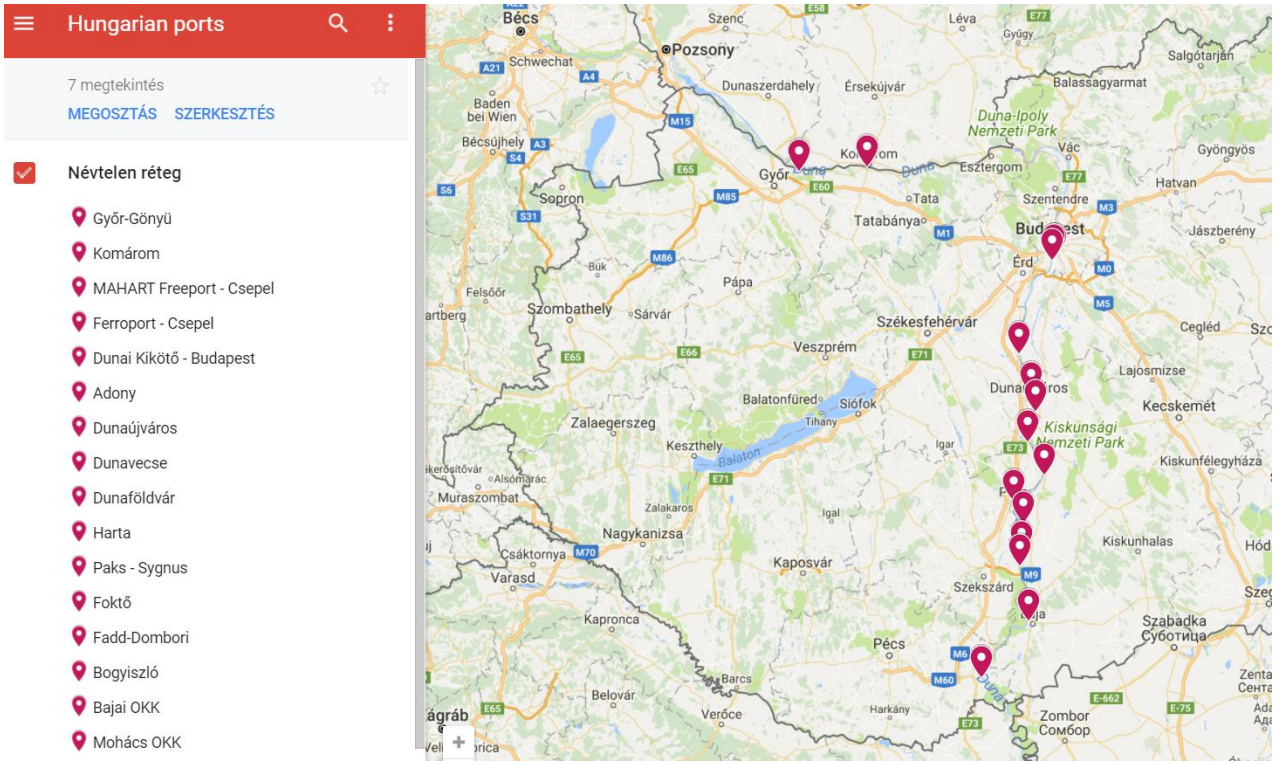
Before assessing the number of ports in Hungary, it is important to define what a port shall mean in the Hungarian legislation, since all the statistical data on waterborne transport are related to these terms and their meaning.

In line with the Hungarian legislation, (Act No. XLII of 2000 on waterborne transport) a port shall mean the "coastal area designated for the mooring of floating installations eligible for the provision of actions concerning waterborne transport, embarkation and disembarkation of persons, handling of goods, transhipment of goods and their distribution as well as concerning the maintenance of shipping fitness of floating installations; with the operational permit of the shipping authority". The respective shipping authority to give such permit is the Ministry of National Development in Hungary.

Every port operator is obliged to provide statistical data on the waterside transhipment volume throughout the year. These OSAP (National Data Collection Programme) data are gathered by the shipping authority in Hungary. Based on the yearly OSAP statistics, the number of ports and port operators can be assessed, those who performed waterborne transhipment in the given year. In the year **2017, altogether 44 port operators handled 5,8 million tonnes of waterborne fright in 55 ports**, possessing operational permit. One port operator might operate several ports; therefore, the number of ports is higher than

the number of port operators. The number of ports with operational permit is likely to be higher than 55, but those who do not report OSAP data in the given year are not part of the statistics.

On the below map can be seen the position of the major Hungarian ports along the Danube. Their freight figures are discussed in the later chapters as well.



Source: Google map

Capacity and capacity usage of ports in Hungary

In general, we can conclude that the capacity of Hungarian ports exceeds the existing freight volumes. However, capacity of ports can be analysed along with several factors, based on which there are room for capacity building in Hungarian ports as well. The below listed factors may all influence the actual capacity of the given port and at the moment each of them requires a certain extent of development or expansion in many of the Hungarian ports.

Transhipment capacity

- Number of berths: several ports have invested in the construction of new port berths to be able to provide transshipment services for more vessels simultaneously.

- Structure of the quay: sloped or vertical quay are used for different transshipment operations.
- Cargo handling equipment, including fixed equipment e.g. conveyor belts or portal cranes and mobile equipment.
- Unloading capacity: 22 out of the 55 Hungarian ports still do not have unloading volumes, since they do not have the necessary infrastructure and/ or equipment for unloading (e.g. vertical quay, unloading cranes).
- Adequate port infrastructure and equipment for special cargo:
    - Reinforced and or longer quay for heavy/ oversize cargo handling
    - Ro-Ro terminal for rolling cargo
    - Container handling cranes or loaders

Storage capacity

- Warehouses: increasing covered storage areas is one of the most urgent development plans of several Danube ports in Hungary.
- Silos: silo capacity is the most important factor of transshipment services for port operators in the field of bulk - primarily agricultural - cargo. Besides the silo capacity, expressed in m^3, specific functions can serve as competitive advantage for port operators: internal ventilation contributes to higher level of services, while auxiliary cargo handling equipment can provide quicker loading and unloading activities. Shorter unit time of loading activities results in bigger transshipment capacities.
- Open storage areas: not every kind of cargo requires covered storage areas, waste metal for example can be stored in open storage areas but that also requires appropriate infrastructure, like enforced pavement.

Port infrastructure for internal transport and cargo handling

- Internal transport network, adequate infrastructure to transport within the port, e.g. marshalling rails, space for oversize cargo, internal road network, etc.
- Parking lot for trucks: several ports are planning to expanse their parking lots for trucks, which requires exceptionally thicker and reinforced pavement.

Presentation of the ownership – port management - operation structure of ports

Public and private ports

In terms of the ownership and operational structure of Hungarian commercial ports, there are no one dominant business model. There are port operation practices on both sides of the scale: entirely public owned ports and privately owned and operated ports.

Public owned ports with '***National Public Port***' title is operated on a more complex basis. National Public Ports is Hungary:

- Public Port of Győr-Gönyű
- Freeport of Budapest in Csepel
- Public Port of Baja
- Public Port of Mohács

The National Public Ports are operated in a model which can be characterized as landlord or corporatized ports. The two types are closely related to each other. The largest port, the Budapest Freeport and the Port of Baja are more of corporatized ports, while the Public Port of Győr-Gönyű is more closely resembling a landlord port.

In case of these bigger public ports, we can differentiate the following functions on different level of the operational structure:

- **Land owners:** Hungarian Asset Management Inc. or its asset management organizations (Water Directorates with territorial jurisdiction), local municipalities.
- **Port manager:** contracted with the public land owner(s), responsible for the utilization of the port area, typically does not provide basic port services, like transshipment. Port manager most often provides ancillary services, e.g. water or electricity supply, bilge water deposit.
- **Port operators:** private companies contracted with the port manager, responsible for port services. e.g. warehousing, cargo handling.
- **End users:** shipping companies, manufacturers of the transshipped products.

Unlike National Public Ports, relatively smaller ***private-owned ports*** operate with an entirely different management model and business strategy. As an example, the Port of Dunavecse and the Port of Paks are owned and operated entirely by one company, in the latter case, which is also an agricultural trading and warehouse operator. The owners of these ports are developing the port with EU funds and bank loans as they expect the investment to be returned. Ownership strategy includes that the private port must provide as many service and infrastructure as needed to serve the customers without outsourcing or the inclusion of third-party service providers.

Ports as bimodal or trimodal hubs

Regardless of the ownership and management structure or of the capacity of ports, each of the Hungarian Danube ports operate as bimodal hubs, given the road and water access, which are available in every commercial ports along the Danube.

Each of the National Public ports and many of the private ports are trimodal hubs, with rail access, besides road and waterway:

- Public Port of Győr-Gönyű
- Freeport of Budapest in Csepel
- Public Port of Baja
- Public Port of Mohács
- Port of Dunai Kikötő (Budapest)
- Port of Dunaújváros
- Port of Adony
- Port of Paks
- Port of Foktő

Tendencies of the past 7 years

In terms of the ownership, management structure and operational aspects, the following tendencies can be highlighted of the past seven years:

- Ownership structure of neither public nor private ports have significantly changed
- Ports have gained EU subsidies for smaller-scale but also major port development projects, which has not yet resulted in the growth of the overall transshipment volume of ports, but admittedly supported the ports to increase the level of their services and thus catch up in the competition of transport modes. In other words, without these port development projects, the share of waterborne transport would be even lower than 3%.
    - National Public Ports have gained significant advantages in EU grant programs and have acquired much higher volume of subsidy than other ports.
- Many of the Danube ports have diversified their activities in order to be more flexible for different port services – e.g. new berths for heavy cargo, container handling equipment, big-bagging services, opening for new goods to be transshipped and stored, e.g. fertilizer.
- Several ports established unloading port facilities to be able to exercise unloading transshipment as well.

2.2 Waterborne freight statistics 2010-2017

Waterborne transportation statistics of goods in Hungary

Loaded, unloaded and transit volumes

Comparing the loading and unloading transhipment performance of Hungarian ports there is a significant difference, since 22 ports (according to the OSAP statistics) do not have unloading activities. There is still a room for further port developments to expand transhipment capacities. However, the ratio of unloading volumes has shown a slight increase since some of the Danube ports have already invested in unloading facilities in the past years.

On an average, the volume of transit cargo is one third of the total inland waterborne transport volumes, reported in the Eurostat database. This transit volume is not transhipped in any of the Hungarian ports.

Waterborne freight transport volume in Hungary, 1000 tonnes	2010	2011	2012	2013	2014	2015	2016	2 017
Total transhipment in Hungarian ports	**6 865**	**4 628**	**5 098**	**5 189**	**5 673**	**5 978**	**5 439**	**5 821**
loading	4 511	2 761	3 675	3 369	3 917	4 190	3 603	3 708
unloading	2 353	1 867	1 423	1 821	1 756	1 788	1 836	2 113
Transit volume	**3 087**	**2 547**	**3 037**	**2 668**	**2 152**	**2 185**	**2 785**	**n.a.**
Total waterborne freight volume	**9 952**	**7 175**	**8 135**	**7 857**	**7 825**	**8 163**	**8 224**	**n.a.**

Source: Ministry of National Development, Hungary and Eurostat

Transhipped goods per commodity

As it can be seen on the statistics of the transhipped goods in Hungary, not every goods category is transhipped on waterways, most often these goods are not appropriate for waterborne transport. Out of the 20 goods categories, 12 are transhipped by Hungarian ports.

Transhipped cargo volume in Hungary, per commodity, 2017

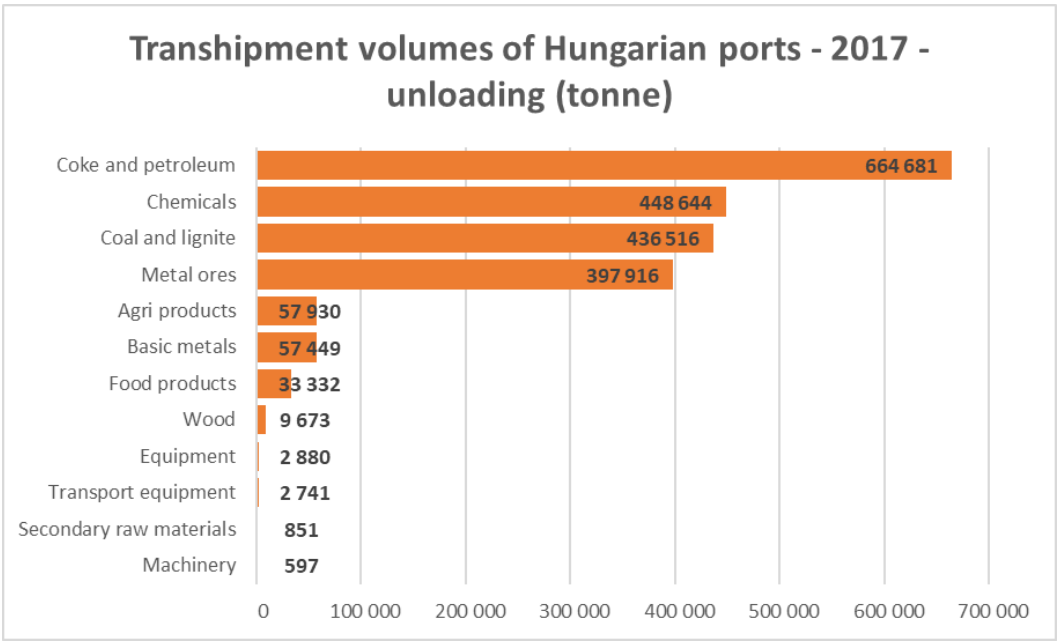
Code	NST goods category	Unloading (tonne)	Loading (tonne)	Total transhipment (tonne)
01	Products of agriculture, hunting, and forestry; fish and other fishing products	57 930	2 178 896	2 236 826
02	Coal and lignite; crude petroleum and natural gas	436 516	13 244	449 760
03	Metal ores and other mining and quarrying products; peat; uranium and thorium ores	397 916	225 452	623 368
04	Food products, beverages and tobacco	33 332	226 127	259 459
05	Textiles and textile products; leather and leather products			0

Code	NST goods category	Unloading (tonne)	Loading (tonne)	Total transhipment (tonne)
06	Wood and products of wood and cork (except furniture); articles of straw and plaiting materials; pulp, paper and paper products; printed matter and recorded media	9 673	7 665	17 338
07	Coke and refined petroleum products	664 681	681 030	1 345 711
08	Chemicals, chemical products, and man-made fibers; rubber and plastic products; nuclear fuel	448 644	105 620	554 263
09	Other non-metallic mineral products			0
10	Basic metals; fabricated metal products, except machinery and equipment	57 449	202 794	260 242
11	Machinery and equipment n.e.c.; office machinery and computers; electrical machinery and apparatus n.e.c.; radio, television and communication equipment and apparatus; medical, precision and optical instruments; watches and clocks	597	1 386	1 983
12	Transport equipment	2 741	11 100	13 841
13	Furniture; other manufactured goods n.e.c.			0
14	Secondary raw materials; municipal wastes and other wastes	851	41 419	42 270
15	Mail, parcels			0
16	Equipment and material utilized in the transport of goods	2 880	12 904	15 784
17	Goods moved in the course of household and office removals; baggage and articles accompanying travellers; motor vehicles being moved for repair; other non-market goods n.e.c			0
18	Grouped goods: a mixture of types of goods which are transported together			0
19	Unidentifiable goods: goods which for any reason cannot be identified and therefore cannot be assigned to groups 01-16			0
20	Other goods n.e.c.			0
	Total	**2 113 209**	**3 707 635**	**5 820 844**

Source: Ministry of National Development

The following charts illustrate the loading, unloading and total transhipment volumes by the transported goods categories, in decreasing order of the volumes.

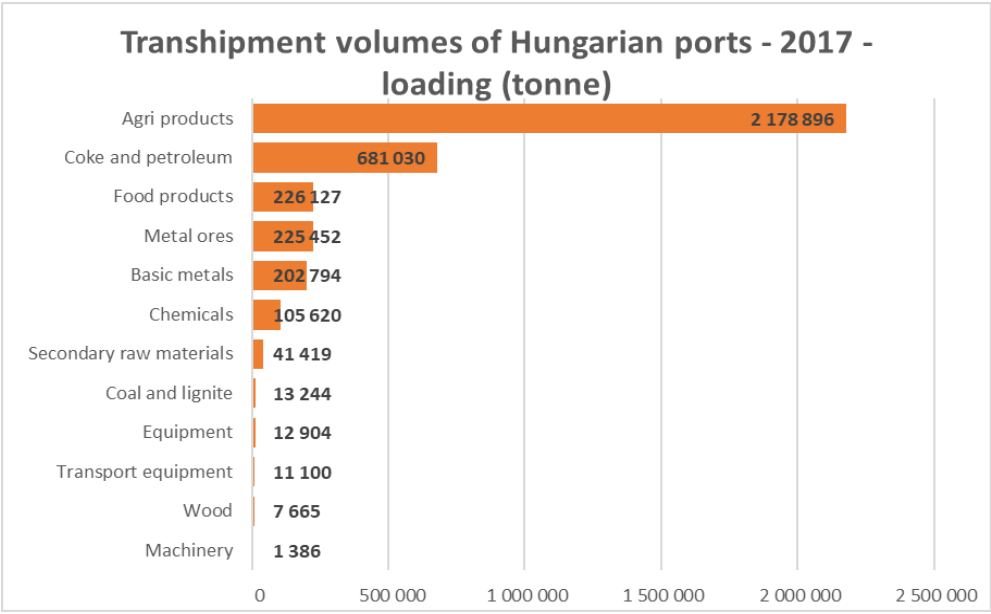
Comparing the loading and unloading volumes, there are significant differences in the dominant goods categories.



Source: Ministry for National Development

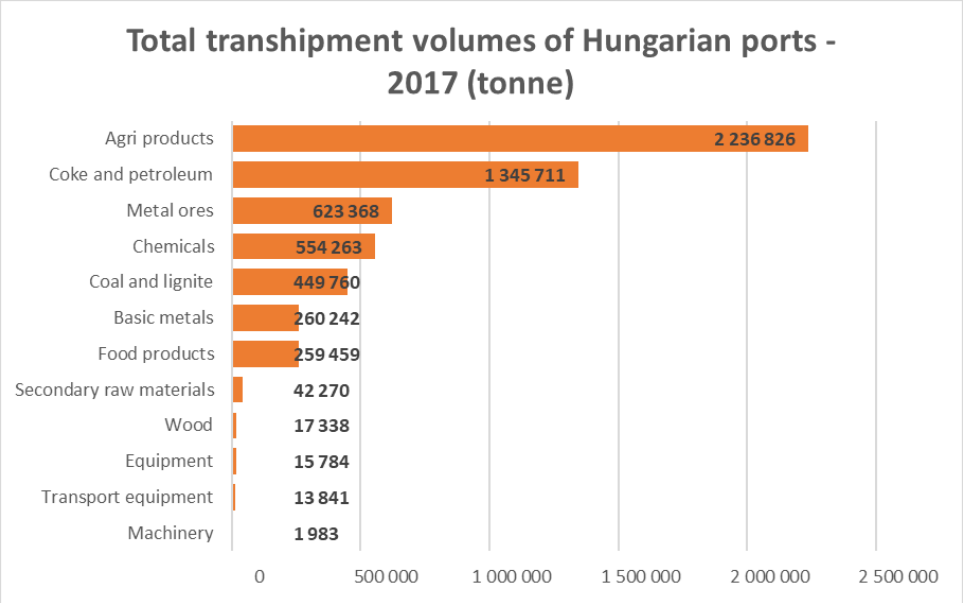
Unloaded volumes are mainly dominated by coke and petroleum products, which are transhipped by bigger oil companies (e.g. MOL). Despite of the dominance of agricultural goods in the total transported volume, the share of this goods category is marginal within the unloaded volumes.

As for coal and lignite, it has to be highlighted that ISD Portolan alone transhipps 98% of the total goods category for the steal producing company ISD Dunaferr in Dunaújváros.



Source: Ministry for National Development

Looking at the volume of loaded goods, the dominance of agricultural goods clearly stands out. Given the specific infrastructural facilities and equipment, necessary for unloading bulk goods, there are many smaller ports in Hungary, which cannot offer unloading services for agricultural goods.



Source: Ministry of National Development

In order to have a more detailed picture on the volume of transported goods by port operators and their goods categories, the below table sums up the main tendencies between 2014-2017.

In order to focus on the core port operations and the main transhipped goods category, crude oil products and loaded sand are excluded from the following statistics.

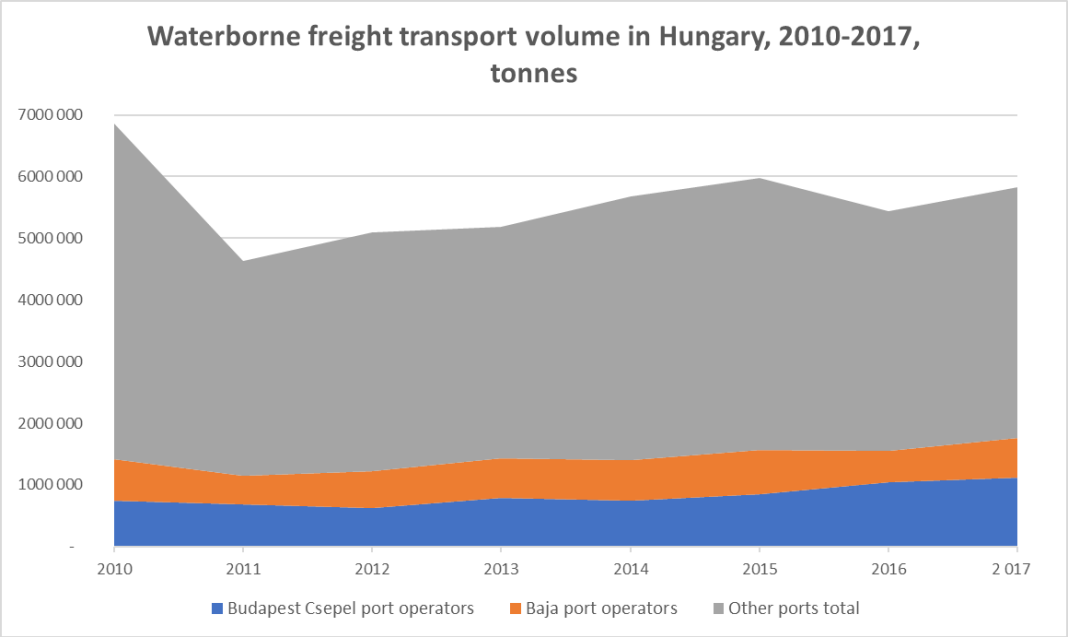
Transhipment volumes and transported goods of Hungarian ports	2014	2015	2016	2017	Transhipped products in 2017
Győr-Gönyű	220 995	335 906	164 575	189 430	01 Agri products 04 Food products 08 Chemicals 10 Basic metals 11 Machinery
Passnave - Komárom	39 736	13 543	60 281	48 503	01 Agri products 03 Metal ores 04 Food products 08 Chemicals
Centroport - Komárom	0	0	0	27 283	08 Chemicals

Transhipment volumes and transported goods of Hungarian ports	2014	2015	2016	2017	Transhipped products in 2017
Ferroport - Budapest Csepel	286 310	304 066	338 599	340 507	01 Agri products 02 Coal and lignite 03 Metal ores 04 Food products 08 Chemicals 10 Basic metals 14 Secondary raw materials
Lagermax - Budapest Csepel	16 992	16 600	15 955	13 841	12 Transport equipment
MAHART Container Center - Budapest Csepel	5 230	4 513	9 464	15 784	16 Equipment
MAHART Gabonatárház - Budapest Csepel	186 621	213 927	239 810	192 833	01 Agri products 03 Metal ores 07 Coke and petroleum 08 Chemicals
Dunai Kikötő - Budapest	363 216	266 315	317 918	301 924	01 Agri products 03 Metal ores 04 Food products 06 Wood 08 Chemicals
Dunai Nehézrakodó - Budapest	243	2 126	0	1 668	10 Basic metals
Adony	42 836	0	335 714	378 320	01 Agri products 03 Metal ores 04 Food products 08 Chemicals
Centroport - Dunaújváros	64 004	95 177	80 542	74 651	01 Agri products
ISD Portolan - Dunaújváros	960 566	1 071 663	850 629	730 496	01 Agri products 02 Coal and lignite 03 Metal ores 07 Coke and petroleum 08 Chemicals 10 Basic metals
Dunavecse	82 869	89 456	81 855	120 583	01 Agri products 02 Coal and lignite 04 Food products 07 Coke and petroleum 08 Chemicals 10 Basic metals
Pannonia Ethanol/Cargill - Dunaföldvár	114 611	187 003	209 692	104 984	04 Food products
Sygnus-Port Harta	84 658	61 516	71 893	66 605	01 Agri products 04 Food products

Transhipment volumes and transported goods of Hungarian ports	2014	2015	2016	2017	Transhipped products in 2017
Sygnus - Paks	325 374	516 037	184 160	260 578	01 Agri products 04 Food products 08 Chemicals
Gabonatároló - Foktő	80 828	61 624	40 465	20 030	04 Food products
Concordia - Fadd	5 790	17 312	4 078	18 978	01 Agri products
Bogyiszló	99 840	206 679	175 898	140 001	01 Agri products
Áti Depo - Baja	304 189	372 767	301 800	342 874	01 Agri products 03 Metal ores 04 Food products 08 Chemicals
Gemenc - Baja	8 354	4 984	10 787	7 665	06 Wood
AgroHandel - Baja	175 546	212 849	134 999	198 196	01 Agri products 04 Food products
Invivo/ICGrain/RWA - Baja	131 962	93 551	58 953	59 953	01 Agri products
PortAlmás - Baja	34 981	38 347	0	35 616	03 Metal ores
MARGITTA - Mohács	19 286	24 262	20 327	21 631	01 Agri products 04 Food products
Bóly - Mohács	134 731	207 104	116 263	98 313	01 Agri products 04 Food products 07 Coke and petroleum
Cargill - Mohács	78 857	132 335	97 986	105 144	01 Agri products

Source: Ministry of National Development

The change of transported volumes by the main trimodal hubs in Budapest-Csepel and Baja, as well as the total of other ports, is illustrated on the following chart, between the years 2010-2017.



Source: Ministry of National Development

In terms of the different packaging of waterborne cargo, the Ministry of National Development in Hungary collects statistics along the following differentiation:

- Liquid bulk cargo
- Solid bulk cargo
- General cargo
- 20-foot containers
- 40-foot containers
- Containers, different size

The reporting obligations of ports have changed during the past 6 years as a result of which transhipment information has been more detailed since 2016.

Just as agricultural goods out of the goods categories, solid bulk is still the dominant cargo type, 70% of the total transhipment volume. As regards container transhipment, the volume of this cargo type has presented a significant growth in the past two years.

Transhipment volumes by cargo type	2012			2013			2014		
Type of cargo	Unload	Load	Total	Unload	Load	Total	Unload	Load	Total
Liquid bulk	1 297 754	3 337 254	**4 635 007**	1 625 826	2 994 499	**4 620 324**	1 584 826	3 634 484	**5 219 310**
Solid bulk									
General cargo	121 393	337 650	**459 043**	193 351	374 151	**567 502**	167 004	281 588	**448 592**
20 foot container	0	0	**0**	0	0	**0**	175	419	**593**
40 foot container	2 203	39	**2 242**	1 665	0	**1 665**	4 233	404	**4 636**
Other container size	1 529	527	**2 056**	0	0	**0**	0	0	**0**
Total transhipment	**1 422 878**	**3 675 470**	**5 098 348**	**1 820 842**	**3 368 649**	**5 189 491**	**1 756 238**	**3 916 894**	**5 673 132**
Transhipment volumes by cargo type	2015			2016			2017		
Type of cargo	Unload	Load	Total	Unload	Load	Total	Unload	Load	Total
Liquid bulk	1 660 924	3 973 290	**5 634 213**	561 332	504 533	**1 065 865**	670 052	723 469	**1 393 521**
Solid bulk				1 118 566	2 891 963	**4 010 529**	1 330 199	2 755 406	**4 085 604**
General cargo	124 057	215 150	**339 207**	152 953	199 759	**352 712**	110 078	215 857	**325 935**
20 foot container	86	799	**886**	39	2 582	**2 621**	18	3 771	**3 789**
40 foot container	3 101	96	**3 197**	2 768	4 075	**6 843**	2 862	9 073	**11 936**
Other container size	0	431	**431**	0	0	**0**		59	**59**
Total transhipment	**1 788 168**	**4 189 766**	**5 977 934**	**1 835 658**	**3 602 912**	**5 438 570**	**2 113 209**	**3 707 635**	**5 820 844**

Source: Ministry of National Development

Dominant sectors in the freight traffic volume and tendencies

Dominant sectors in waterborne freight traffic is reflected in the goods categories of the highest volume.

Most important sectors that influence the cargo transhipment in Hungarian ports are:

- Agriculture – bulk cargo: grains and seeds, fertilizer in bulk or big bags
- Steel manufacturing (only in Dunaújváros)
- Container shipping – dominance in Budapest

2.3 Development of ports 2010-2017

2.3.1 Objective of port developments

Port developments of the past 7 years in Hungary have been implemented in two financing periods of the EU subsidies. The respective national Operational Programmes of the EU financing instrument of this seven-year period:

- 2007-2013 Transport Development Operational Programme 'KözOP'
- 2007-2013 Economic Development Operational Programme 'GOP'

- 2014-2020 Integrated Transport Development Operational Programme 'IKOP'
- 2014-2020 Economic Development and Innovation Operational Programme 'GINOP'

In each of the four OPs, dedicated funding schemes/ calls for individual ports were available for infrastructural port development.

The available non-refundable subsidy of open calls has been relatively smaller compared to the priority projects, nominated by the Hungarian Government. Small-scale projects received 200.000 € subsidy (per projects), whereas the financial support of priority projects has often exceeded 1 million €.

Port development investments have concerned various development objectives and infrastructural elements:

- Reconstruction of the run-down internal transport infrastructure to maintain the existing level of port services, e.g. reconstruction of internal roads, rails.
- Capacity building through the construction infrastructural elements for new/ additional port services, e.g. reinforced quay for heavy cargo, construction of Ro-Ro ramp, building warehouses, construction of a portal crane, etc.
- Purchase of new equipment: cargo handling machines, e.g. forklift, conveyor belts, container loader, etc.
- Environmental investments, e.g. flood protection dam, or the establishment of a green terminal.
- ICT related developments, e.g. signaling system, RIS development.

2.3.2 Port development expenditures

Volume of investment

Based on the data table on ***Hungarian*** port development project funding schemes, ***Danube port development investments reached 30 billion HUF (100 million €) between 2010-2017***.

Due to the long-expected payback period of such investments, the ***average grant rate*** of the investment is ***91,5%*** (varies between 50-100%). This means that within this period, Hungarian ports gained 91,5 million € non-refundable subsidy, whereas the own contribution of the respective beneficiaries did not reach 8 million €.

Infrastructural developments of the basic infrastructure (e.g. construction of quay or internal transport network) with long payoff period (30-50 years) have been financed with higher grant rate, whereas smaller-scale port developments (e.g. transhipment technology/ mobile equipment or warehousing) have gained smaller rate of subsidy.

The entire amount of the subsidy is part of the national Operational Programmes for transport or economy development. The share of the subsidy between the European Commission and the Hungarian Government is 85-15%.

Beneficiaries

As mentioned previously, not only the volume of the port development projects, but also the grant rate of the different funding schemes varies, between 50% and 100%. In most of the cases, the grant rate depends on the legal form of the beneficiary also. Public bodies may receive 100% grant rate but once SMEs gain EU grants, the rate of the funding has never exceeded 85%.

Beneficiaries of the Hungarian port development of the past years:

- Owner or port manager of the National Public Ports – MAHART Freeport, North Transdanubian Water Management Authority, Municipality of Mohács, Public Port of Baja
- Owner of other ports (with no 'National Public Port' title), most often private entities – Port of Dunavecse, Port of Paks, etc.
- Port operator companies – typically SMEs in either National Public Ports or in any other Hungarian Danube ports
- Professional NGOs of specific fields – e.g. Radio Emergency Call and Infocommunication National Association (RSOE), Hungarian Association of Logistics Service Centres (MLSZKSZ)

3 Public funded investments in inland cargo ports of the Danube Region

3.1 Introduction of public funded investments

The below list of projects is the extract of the Annex, on the list of Hungarian port development projects implemented between 2010-2017.

1. Table: Aid schemes and individual aids on port developments

Name of the Aid scheme/ Individual Aid	Individual Aid or Aid scheme	Beneficiary	Selection procedure	Total investment (EUR)
Development of logistics service centres	aid scheme	SMEs, operating as logistics centres (including port operators)	open call for applications	715 000 000 HUF

Name of the Aid scheme/ Individual Aid	Individual Aid or Aid scheme	Beneficiary	Selection procedure	Total investment (EUR)
Development of the Mohacs Port	individual aid	Municipality of Mohács	state aid notification and priority project	4 750 000 000 HUF
The Intermodal Development of the Port of Baja	individual aid	Bajai Országos Közforgalmú Kikötőműködtető Kft. (Public Port of Baja)	state aid notification and priority project	3 805 440 214 HUF
Infrastructure development of the Győr-Gönyű National Public Port 2nd phase	individual aid	North Transdanubian Water Management Authority ("EDUVIZIG")	state aid notification and priority project	3 051 227 567 HUF
Project package for developing passenger port services	individual aid	M A H A R T - PassNave Személyhajózási Ltd	priority project	665 970 000 HUF
MAHART Mobile Flood Dam	individual aid	MAHART-Szabadkikötő Zrt. (Freeport of Budapest)	priority project	1 359 376 000 HUF
Development and modernisation of basic port infrastucture	aid scheme	operators, owner, managers of Hungarian Danube freight ports regardless of the nature of the legal entity	open call for applications	2 307 709 604 HUF
Development and modernisation of basic port infrastucture	aid scheme	operators, owner, managers of Hungarian Danube freight ports regardless of the nature of the legal entity	open call for applications	3,5 million EUR
Linking transport modes, developing intermodality and transport	aid scheme	Port Danube Kereskedelmi és Szolgáltató Korlátolt	open call for applications	895 779 600 HUF

Name of the Aid scheme/ Individual Aid	Individual Aid or Aid scheme	Beneficiary	Selection procedure	Total investment (EUR)
infrastructure of economic centers		Felelősségű Társaság		
Linking transport modes, developing intermodality and transport infrastructure of economic centers	aid scheme	SYGNUS Kereskedelmi Kft	open call for applications	1 015 319 513 HUF
Linking transport modes, developing intermodality and transport infrastructure of economic centers	aid scheme	Bogyiszlói Kereskedő-Szolgáltató Zrt.	open call for applications	128 474 315 HUF
Linking transport modes, developing intermodality and transport infrastructure of economic centers	aid scheme	Dunavecse Kikötő Szállítmányozási Korlátolt Felelősségű Társaság	open call for applications	249 642 857 HUF
Linking transport modes, developing intermodality and transport infrastructure of economic centers	aid scheme	Bajai Országos Közforgalmú Kikötőműködtető Kft.	open call for applications	232 255 241 HUF
Improving the international rail and waterway accessibility of the country and regional centers	individual aid	Radio Emergency Call and Infocommunication National Association	priority project	287 210 000 HUF
Improving the international rail and waterway accessibility of the country and regional centers	individual aid	Radio Emergency Call and Infocommunication National Association	priority project	41 696 000 HUF
Preparation grant cheme of transport	aid scheme	Municipality of Baja, MAHART-	open call for applications	398 132 900 HUF

Name of the Aid scheme/ Individual Aid	Individual Aid or Aid scheme	Beneficiary	Selection procedure	Total investment (EUR)
development projects		Szabadkikötő Zrt., Municipality of Mohács		
Infrastructure development of the Győr-Gönyű National Public Port 1st phase	individual aid	North Transdanubian Water Management Authority ("EDUVIZIG")	state aid notification and priority project	5 498 077 598 HUF
Infrastructure development of the Freeport of Budapest - preparation phase	individual aid	MAHART-Szabadkikötő Zrt.	priority project	60 329 787 HUF
Infrastructure development of the Freeport of Budapest - implementation phase	individual aid	MAHART-Szabadkikötő Zrt.	state aid notification and priority project	3 534 318 278 HUF
Development of logistics service centres and logistics services	aid scheme	SMEs, operating as logistics centres (including port operators)	open call for applications	1 504 130 650 HUF

3.2 Selection procedures

Since selection procedures vary from country to country, the understanding of differences between the countries' practice is one of the main objectives of the country report.

Along with the identified port development projects of the past 7 years, three main selection procedures can be distinguished:

- Priority project selection procedure
- Project notification to the Commission (DG Competition)
- Open calls
    - standard procedure
    - simplified procedure

3.2.1 Selection procedure – priority project

The major projects of IKOP are operated in line with the 'dedicated projects selection procedure'. It means that each year, the Hungarian Government nominates the priority projects from the perspective of the priority areas of national economy. The priority projects are listed in the *'yearly national development framework'* which is approved by the government. Even though these priority projects are approved by the government in the development framework, the standard application procedure's regulations apply in a dedicated project selection procedure as well. The application procedure is very similar to an open call, except that the call is not open, only the nominated beneficiaries can submit proposals.

The dedicated selection procedure is operated on an ongoing basis: submitted proposals are assessed in the order of their arrival.

Definitions

Priority project: projects of public interest, approved by the policy-holder under objective professional criteria.

Yearly development framework: a strategic document that defines the way in which a program is implemented by one of the national Operative Programmes within a calendar year.

Specific conditions of the procedure

The yearly national development frameworks shall detail the following information for all the priority projects to be implemented in the following calendar year:

- the identification number and title of the respective funding call
- name of the beneficiary
- the maximum amount of grant to be awarded
- specific technical conditions of the project implementation

The first version of the development framework is prepared by the Managing Authority of the respective Operational Programme. The content of the funding calls within the development framework is prepared by the Intermediary Body, including all the relevant conditions of the selection procedure.

The first version of the development framework shall include the following information of the priority projects to be implemented:

- subject of the project
- eligibility criteria

- objective evaluation criteria of project selection
- justification of priority project status, reasons why open call is not required

In case of other calls (non-priority projects), the head of the Managing Authority decides on the number of project assessors and appoints them, whereas priority projects shall be assessed by a minimum of two assessors.

Evaluation of the procedure

The provisions of the dedicated project selection procedure determine the main characteristics and conditions of the selection process. Due to the fact that only those projects can apply for grant which are nominated on the yearly development framework, the selection procedure is more an administrative process.

It comes from the selection procedure of the 2014-2020 period that grant decisions can be made and grant contract can be signed before the elaboration of technical plans. This lightening on the previous rules made the selection process easier, but it made the early phase of the implementation more complicated and caused additional risks:

- budget cost estimates are either under or overestimated in lack of detailed planning,
- time delays are bigger due to the preparation activities being part of the implementation phase.

Example for assessment criteria – priority projects

Major port development projects are being implemented in the framework of the IKOP Integrated Transport Development Operational Programme under the second priority (IKOP-2.1.0), in line with the priority project selection procedure.

Priority projects under this funding scheme are assessed along with the following criteria:

I. Alignment with the objectives of the National Transport Infrastructure Development Strategy and the Integrated Transport Development Operational Programme (IKOP)

1. Alignment with the priority of IKOP: Improvement of international (TEN-T) waterborne and railway accessibility
2. The project is on the core or comprehensive network of TEN-T railway or waterway corridors 2.
3. The project has an at least medium rate according to the National Transport Infrastructure Development Strategy indicator: social utility (BCR indicator of the social cost-benefit analysis)

II. Assessment of project phasing and project

1. Detailed project phasing, including preparation and implementation
2. Availability of feasibility study, including option analysis
3. Detailed analysis of risks endangering successful and timing implementation and the description of risk management

III. Analysis of financial indicators as well as financial and technical sustainability

1. Justification of the need for financial subsidy and the financial viability of the project by means of financial and social cost-benefit analysis
2. The project is financially sustainable and the financial sources for the operation are secured
3. The project is technically operable and maintainable
4. The potential linkages with other aids are discovered and identified

IV. Assessment of potential environmental impacts and environmental sustainability

1. The project is feasible from the aspects of environmental protection, nature protection and water management
2. The project is sustainable in terms of environmental protection

V. Assessment of project budget

1. Project budget is realistic, project activities and their costs are well detailed, the principle of cost efficiency is secured
2. Cost lines are in line with eligibility criteria and the related cost limits

VI. Assessment of project management organisation

1. Beneficiary has adequate administrative, financial and operational capacity

VII. Assessment of indicators related to sustainability and equal opportunities

1. Adequate sustainability indicators
2. Adequate indicators for equal opportunities

3.2.2 Selection procedure – project notification to the Commission

During the 2007-2013 period, port infrastructural developments (similarly to other sectors' investments of economic nature) fell under a more thorough investigation of state aid, compared to the previous financing period. The analysis of state aid had been an important point of the feasibility studies as well.

Based on the available state aid analyses, the Managing Authority of the Ministry and the State Aid Monitoring Office in Hungary concluded that major port development projects to be implemented in Hungary were likely to fall under state aid. However, the General

Block Exemption Regulation GBER in force had no dedicated provisions for any port development. Until June 2017, under the article 'Aid for local infrastructure' the GBER had referred to the to be elaborated 'Aid for ports'. For this reason, until this milestone, in lack of any applicable block exemption regulation, port developments had to be notified individually to the Commission. This was the case with four Hungarian port development projects:

- Intermodal development of the Freeport of Budapest in Csepel
- Intermodal development of the Port of Győr-Gönyű
- Intermodal development of the Port of Baja
- New port development in Mohács

Complying with the respective preconditions, all the above projects were priority projects, as seen in the table of Chapter 3.1.

On average, the EU level notification procedure took an additional year, as a result of which, a positive Commission Decision declared these projects state aid, compatible with the market.

Having been approved by the Commission, on national level the project was granted in the framework of priority project selection procedure, the application process followed the same procedure discussed in the previous chapter.

3.2.3 Selection procedure – open call

The main concept of the application procedure of open calls is that project proposals are in competition, and only part of them are selected to be granted. The selection between project proposals follows two main different methods:

- **Standard procedure:** every proposal is assessed under the same criteria and only those of the best quality are awarded within the framework of the financial source of the given call. Project proposals compete with their ***quality***.
- **Simplified procedure:** assessment criteria are more objective, those reaching the minimum level are granted automatically, in the order of the time of their submission. Project proposals compete in ***time***.

Standard procedure

In line with the conditions of standard process, applications submitted within predefined periods are assessed together and selected based on their assessment points.

Project proposals for logistics centres' development within GINOP (Economic Development and Innovation Operational Programme 2014-2020) are assessed according to this procedure.

Example for assessment criteria in standard procedure

- The number of years for what the applicant has been operating
- Rate of operating profit compared to the balance sheet
- Volume of investment costs compared to the assets
- Growth of net revenues of the past 2 years
- Volume of investment costs compared to the net revenues
- Is the site in any of the settlements of the 'free business zone'? (predefined list of disadvantaged settlements)
- Has the applicant successfully implemented a similar EU funded project under the same scheme of the financing period 2007-2013?
- Availability of ISO 14001 certificate
- Does the applicant operate as an intermodal logistics centre as well?
- Size of covered storage facility
- Experience with procedural irregularities during the implementation of EU projects

Simplified procedure

Funding schemes applying simplified procedure typically support a relatively high number of projects, which is one reason for the simplification of evaluation criteria and for the simplification of the decision procedure as well.

In the framework of KÖZOP Transport Development Operational Programme, two de minimis funding schemes were launched in 2014 and 2015, which followed a simplified selection procedure: Development and modernisation of basic port infrastructure KÖZOP-4.6 and KÖZOP-4.7. Since the time was extremely close to the end of the financing period 2007-2013, the available time for project implementation was exceptionally short. However, this urgency speeded up the selection procedure and decisions of the MA.

Evaluation of the procedure

The nature of the KÖZOP 4.6 and 4.7 funding schemes was rather atypical for the Managing Authority coordinating transport development projects, for the following reasons:

- EU funded transport development projects are typically implemented by public bodies, or the major state-owned transport infrastructure companies; SMEs were unfamiliar for the responsible department of the MA.

- Transport project volumes are always over millions of euros, not this small-scale (200.000 €).
- Transport investment projects are mostly dedicated projects, the competition of applications in an open call was also uncommon.

Given the late timing of this scheme, the de minimis construction was a very flexible instrument to efficiently use the residual EU fund sources at the end of the financing period. Though transport developments most typically did not fall under state aid, this time, projects of economic nature could also be supported.

From the perspective of the Hungarian MA responsible for transport developments, the de minimis fund scheme was a good practice on the efficient use of public sources, since these small-scale projects could contribute to the Programme indicators relatively much more efficiently: the ratio of aid/ indicators undertaken by beneficiaries was higher than the major projects'.

Example for assessment criteria in simplified procedure

KÖZOP-4.7 funding scheme followed the logic of the standards selection procedure, though these projects were implemented during the 2007-2013 financing period, when selection procedures and the related conditions were slightly different. However, Yes/No type selection criteria were defined as follows:

- The subject of the proposal complies with the objectives of the funding scheme
- The planned project activities comply with the list of the eligible activities
- All the demonstrated costs are eligible according to the Call for Proposals
- The timing of the implementation is feasible
- As regards the physical implementation, there is no conflict with previous EU-funded projects
- The need for subsidy is well justified
- All the necessary building permits are available and are in force

Each project meeting all of the above criteria were automatically granted.

The current Operational Programme IKOP has the room to launch a similar open call for small-scale port developments, where the provisions of the simplified selection procedure would apply.

4 Conclusions

To be prepared by the WP leader based on the findings of the individual National Reports.