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Mr. Siim KALLAS
Vice-President and Commissioner Transport

Mr. Johannes HAHN
Commissioner Regional Policy

Vienna, 22nd of March 2012

Subject: Request for EC support with regard to new restrictions for Danube navigation in Hungary

Dear Sirs,

Pro Danube International is a network of more than 100 private businesses and was established to raise the awareness of the potentials and the problems of the Danube waterway. From our members we received the information that as from 1st of March the Hungarian authorities have imposed a new legislation which dramatically reduces the efficiency of waterway transport and which endangers the whole navigation industry. Let us briefly summarize the situation:

1. The Hungarian National Traffic Authority issued on 28th of February two new regulations (010/Du/2012 and 011/Du/2012) which bring into force new limits for size and draught of barge convoys on the Hungarian Danube section.
2. The regulation was published without prior notice and entered into force on 1st of March. The Hungarian authorities enforced the new regulation immediately and insisted that bigger convoys were broken up as well as issued penalty tickets for the captains. The new regulation hit the barging industry fully unprepared, the enforcement caused big operational problems resulting into interruption of supply chains and generating high additional costs.
3. The new regulation limits the size of the pushed convoys on the Danube section upstream of Budapest (KM 1812 - 1641) to four barges and downstream of Budapest (KM 1641 - 1433) to six barges based on the dimensions of Eurobarge II (76.5 X 11.4m). The old regulations allowed bigger convoys which resulted e.g. into the operation of up to 9 barges within pushed convoys south of Budapest.
4. The new legislation also imposed a maximum vessel draught of 2.5 m. This restriction will persist even in periods of good water levels (usually 4-5 month a year) where the convoys could load up to 2.7/2.8 m in order to gain in efficiency and profitability.
5. Among others, the new legislation also forbids the encounter of convoys bigger than 140 x 23 m (two barges) on the entire section of the Danube south of Budapest covering 351 km.

6. The new legislation will have severe negative consequences on the efficiency of operations as well as on the environment and will lead to significant increases in transport costs:

- More barges and pushers will be needed to transport the same volumes of cargo. The capacity loss caused by the limitation of the convoy size is calculated to be more than 30%. The draft limitation will create an additional capacity loss of up to 20%. Both limitations will also have a negative impact on air emissions.
- Many barging companies in particular those from the lower Danube operate a very high number of barges longer than the Eurobarge II which is the technical basis for the size limits. These companies will be forced to reduce convoy size even to two/four barge convoys. The new legislation therefore will create a significant distortion of competition.
- The barging sector has a high number of long-term contracts where the transport price is calculated on bigger convoy size and higher average draught which will lead into heavy losses by the companies or into break of contracts.
- In shallow water periods, barge operators use bigger convoys to compensate missing draught which will become now impossible. This will even aggravate the difficult economic situation of the companies. The supply of raw materials to major industries will become more unreliable and more costly.
- Several barge operators invested into new and stronger engines in order to run bigger convoys more cost-effectively. This investment will be sunken costs now.
- The barging sector estimates that the Hungarian legislation will increase transport costs by 100-150% which in reality will force transport by barge out of the transport market.

Therefore, the new Hungarian legislation has a very high potential to lead many of the barge but also terminal operators into bankruptcy in particular after the economic disasters of last autumn and this February where severe shortcomings in waterway maintenance resulted into the interruption of transport for several weeks.

The new Hungarian legislation will significantly increase transport costs for many commodities in the Danube region. This will reduce the competitiveness of major industries such as steel, fertilizer, paper, recycling as well as many segments of the agro-industry. As a consequence, it will endanger economic growth in the entire Danube region and will put thousands of jobs at risk.

We therefore ask you to convince the Hungarian authorities to abolish or to modify the new regulations and to improve the waterway infrastructure up to a level which allows again cost-effective, safe and environmentally friendly Danube transport. The statistics show that even under the current poor infrastructure conditions there was no significant relationship between accidents and the size of convoys. Consequently, there is no need for these limits from the viewpoint of safety but there are many economical and environmental reasons against them.

We would like to mention that we already provided more detailed information to your services.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Alexandru Capatu'.

Alexandru Capatu
Chairman

A handwritten signature in black ink, appearing to read 'Manfred Seitz'.

Manfred Seitz
General Secretary