

EUROPEAN COMMISSION
DIRECTORATE-GENERAL
REGIONAL AND URBAN POLICY

The Director-General

Brussels,
REGIO F5

Subject: Motorway M4

Dear Member of Parliament

Thank you for your letter of 14 April 2015 and the information you provided on the circumstances surrounding the implementation of Motorway M4.

Let me take this opportunity to provide you with answers to each of your questions.

- *When and how did the Hungarian government submit its grant application to the EU for the funding of the M4 motorway?*

Hungary submitted the M4 motorway major project application to the European Commission in October 2013 via the SFC 2007 software which is the standard way of any major project submission.

- *When and how did the Hungarian government indicate its wish to shift the payment phase to the budget period of 2014-2020?*

At the time of the major project application the M4 motorway project was submitted as a so called phased project meaning that a part of the project which was not to be completed in the 2007-2013 period would be accounted for under the 2014-2020 programming period.

- *When and based on what documents did DG Regio evaluate the application?*

There is a standard set of documents containing the information each Member State has to submit under Article 40 of Regulation (EC) No 1083/2006 when applying for a major project funding. Such standard information package includes a description of the body responsible to implement the major project and its capacity, a description of the investment, the total cost and the total eligible cost, feasibility studies including option analysis, a cost benefit analysis including financial and economic analysis as well as a risk assessment, an analysis of environmental impact, the financing plan and the timetable. The above information is sometimes expanded with other relevant documents which the Member State finds appropriate to provide in support of the application.

Mr Benedek Javor

Member of the European Parliament

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- *What critical points did DG Regio raise in connection with the project? Was there any suspicion about an excessive budget? Was there any suspicion about a cartel? Did the government provide any data that could have raised the suspicion of cartel?*

Below you will find our main concerns, high cost being just one of many other significant and strategic issues. It is important to note that DG REGIO never raised any suspicion of cartel with respect to the M4 project.

- Poor strategic justification behind this investment: the project represents a segment of a TEN-T comprehensive East-West corridor that could serve as a wider bypass of Budapest; however, there is no actual plan to continue with the corridor. Instead Hungary appears to plan investments towards Budapest which, if built (the project currently features among the proposals regarding the Juncker investment plan) would create competition with a recent EU funded railway investment which run in parallel (see next point).
 - The project would be in competition with other already approved major projects (e.g. modal share expected from Szajol Püspökladány railway project is jeopardised by the parallel highway construction).
 - Questionable rationale behind the new alignment: the new highway is being built next to a Natura 2000 area whereas an upgrade of the existing Road No 4 might have been a less costly and environmentally more sound solution.
 - Questionable assumptions on estimated traffic loads and patterns, poor cost-benefit analysis results that render the project of a poor value added to the society.
 - Excessive project cost: EUR 14,7 million per km and EUR 495 million in total.
- *Did the Hungarian government inform the Commission that in December 2014 it reduced the technical content of the project and raised the original expenses by almost 20%, that is, to the gross amount of 160 billion Forints? What was the opinion of the Commission?*

Hungary withdrew the major project application in September 2014. In the event that a re-submission by Hungary takes place, the Commission will re-evaluate the project including the potential changes the project experienced in the meantime.

- *Did the Hungarian government give any reasoned explanation in connection with the excessive budget and/or the change of the budget?*

In their reply from June 2014 to the Commission's letter the Hungarian authorities responded that the project's high cost is driven by design complexity, soil conditions and due to the high bitumen cost.

- *Did the Commission reject the application? Did the Hungarian government withdraw the application? If the Commission did not reject the application, did it require the Hungarian government to make amendments to the project?*

The Commission was of the opinion that its concerns raised were not satisfactorily addressed by Hungary's reply and therefore requested Hungary to withdraw the project. Hungary remains free to resubmit the project once it addresses these concerns.

- *If the Commission rejected the application, when and how did it happen?*

The Commission did not reject the project. As indicated above at the request of the Commission Hungary withdrew the project.

- *Are there currently any negotiations between the Hungarian government and the European Commission about the possible funding of the project?*

As pointed out above Hungary is free to re-submit the project once it addresses the concerns raised.

- *Furthermore, for the sake of transparency, I would like to request the correspondence and resolutions in connection with the project, as well as all possible reminders and minutes of meetings.*

Your request for access to documents has been registered on 8 May 2015 under reference number GestDem No 2635/2015. Your application concerns the following documents:

- correspondence and resolutions in connection with the project;
- all possible reminders and minutes of meetings.

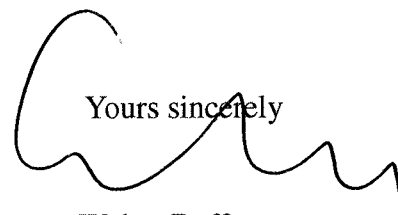
Your application is currently being handled. The major project application in particular and some further elements of the subsequent exchanges between the Commission and the Hungarian authorities originate from the Hungarian authorities which in accordance with Article 4(5) of Regulation (EC) No 1049/2001 have to be consulted before access to these documents can be granted by the Commission.

The description given in your application is rather wide. You may wish to consider narrowing your request for access to documents, specifying clearly the documents you would like to receive and provide us with more detailed information on the documents which you seek to obtain. If you need assistance in clarifying or specifying your application, you can contact us:

- by email to: REGIO-F5-HUNGARY@ec.europa.eu
- by telephone to: (+32) (0) 2 295 64 49

On the basis of your request at this stage I can already disclose two notes of the Commission, namely (1) the reply to the major project application in which Hungary was invited to submit further information concerning the project and (2) the request to withdraw the major project application. Please find enclosed a copy of both notes.

Yours sincerely



Walter Deffaa

Enclosures: Commission's note dated 1/4/2014
Commission's note dated 23/7/2014