

## Transport, warehousing, distribution Hungary, Central Europe and beyond

### ITD Hungary – A One-Stop Shop for Business

The government's investment and trade development agency was established in 1993 to promote inward investments and bilateral trade. With representative offices in eight regional centres of Hungary and a foreign network operating under Hungary's diplomatic services and by special assignments in more than fifty countries, ITD Hungary is a single point of contact to support decision-makers looking for new business opportunities in Hungary.

#### The Agency's investment services include:

- In-depth, tailored information on the local economy and the legal environment; sector-specific overviews
- Liaising with local and central authorities, suppliers and service providers
- Information and advice on available incentives and finalisation of incentives agreements
- Assistance in accelerating permitting procedures, recruitment and visa procedures
- Mediation between companies operating in Hungary and the government sector to improve the business climate
- Support and generation of reinvestments
- Promotion of Hungarian direct investments abroad

ITD Hungary also co-ordinates the Hungarian activities of the Enterprise Europe Network, supported by the European Commission. The network offers support and advice to businesses across Europe and helps them make the most of opportunities in the European Union.

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- For additional investment leads, please visit the Hungarian Investment Opportunities (HIO) database at [www.hio.hu](http://www.hio.hu).
- For a free subscription of ITD Hungary's weekly electronic newsletter and/or its quarterly business magazine "HINT", please write to [editor@itd.hu](mailto:editor@itd.hu).

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# Hungary – a strategic location for regional distribution centres

# Advantages in all key location factors for distribution centres



- Leading logistics provider in the CEE region
- Hungary is the centre of gravity for distribution in and to the CEE and SEE region
- Be close to your customers – easy access to growing Central and South Eastern Europe and CIS markets
- Expanding transport network
- Intermodal solutions
- Innovative, qualified logistics professionals, cost-effective labour pool
- High standard of logistics services and outsourcing
- Cost-cutting through competitive supply chain costs
- Modern warehousing and industrial facilities
- Investment incentives
- Outstanding business environment
- World-class quality of life

The focal point for logistics activity is moving eastwards as companies gravitate to the centre of an enlarged Europe. Hungary's strategic position in the heart of the continent – as well as its role as one of the major transport junctions in the Central East European region – makes it increasingly important as a regional distribution centre. Thanks to Hungary's highly developed transport infrastructure and an established background in logistics, companies can benefit from outstanding efficiency and added value.

## Leading logistics provider in CEE

The latest World Bank Logistics Performance Index ranked Hungary highest of the CEE countries in 2008. The survey evaluates the logistics services of 150 countries according to factors including speed of customs clearance, transportation costs, average import transaction and export lead times.

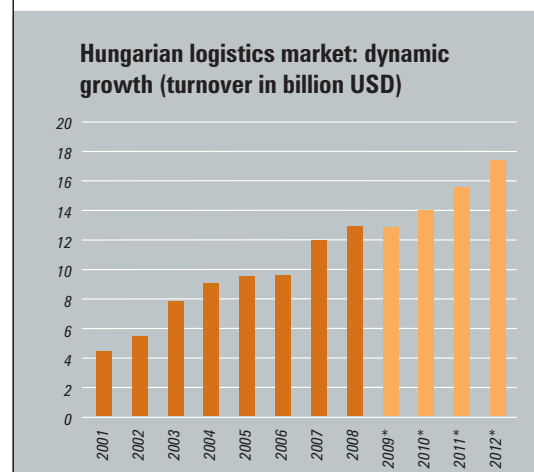
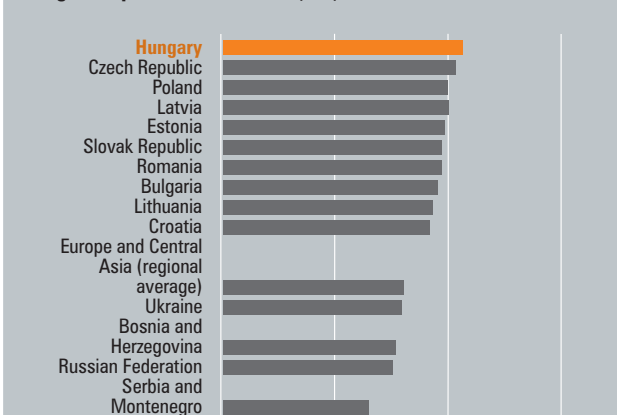
	LPI	Customs	Infra-structure	International shipments	Logistics competence
<b>Hungary</b>	<b>3.15</b>	<b>3.00</b>	<b>3.12</b>	<b>3.07</b>	<b>3.07</b>
Czech Republic	3.13	2.95	3.00	3.05	3.00
Poland	3.04	2.88	2.69	2.92	3.04
Latvia	3.02	2.53	2.56	3.31	2.94
Estonia	2.95	2.75	2.91	2.85	3.00
Slovak Republic	2.92	2.61	2.68	3.09	3.00
Romania	2.91	2.60	2.73	3.20	2.86
Bulgaria	2.87	2.47	2.47	2.79	2.86
Lithuania	2.78	2.64	2.30	3.00	2.70
Croatia	2.71	2.36	2.50	2.69	2.83
Europe and Central Asia (regional average)	2.59	2.39	2.39	2.61	2.53
Ukraine	2.55	2.22	2.35	2.53	2.41
Bosnia and Herzegovina	2.46	2.32	2.26	2.50	2.37
Russian Federation	2.37	1.94	2.23	2.48	2.46
Serbia and Montenegro	2.28	2.33	2.18	2.25	2.29



## Motorway network and development



## Logistics performance index (LPI)



## Transport infrastructure

### Meeting point of European transport corridors

Four vital European transport corridors pass through Hungary, providing unparalleled access to all parts of Europe, including major European ports, the growing CEE and CIS markets.

### Dense motorway and highway network

As a result of intensive construction work along main transport corridors, major motorways and trunk roads now connect major cities and industrial areas and ensure faster and safer transportation within Hungary and internationally.

### Railway system under qualitative restructuring

- Over 18% of freight is transported by rail in Hungary
- Záhony and its region is the junction and reloading centre for European standard-gauge railways and the wide-gauge system of the CIS states
- Rail-cargo services have been liberalised

### Rapid connection to sea ports

Several scheduled block train lines connect Hungary with the seaports of Hamburg (D), Bremerhaven (D) and Rotterdam (NL) on the North Sea, and with Koper (SI) and Trieste (I) on the Adriatic. The Adriatic seaports also offer alternative shipping routes from Asia. Lead times from these ports is within 16–36 hours by road or direct train.

### Improving air transport

- Budapest Airport has the highest air-freight traffic and best connections with South-East Asia of any city in the CEE region
- Due to privatization of Budapest Airport, massive investment is expected – development of the cargo terminal will begin in 2009
- Regional cargo airports are planned at cities with good logistics potential

### European inland waterways – Danube-Rhine-Main Canal

- The Danube-Rhine-Main Canal connects the Black Sea and North-Western Europe
- Ongoing development of intermodal logistics centres and container terminals at major ports, such as Budapest Freeport, Győr-Gönyű, Adony and Baja

### Strong ICT support

A sophisticated information and communications infrastructure and ongoing innovation will ensure support for high-quality logistics technologies (GPS, super-fast internet access, state-of-the-art supply chain software development, RFID, etc.)



### Proximity and easy access to markets

In the enlarged Europe, Hungary's central location is of increased importance for companies planning expansion within

- Central and Eastern Europe – a region benefiting from mass relocation of production facilities
- European Union – a consumer market for 493 million people
- Access to CIS states, as well as the Balkans and Turkey

### Highly-skilled workforce providing value-added services

- The Hungarian labour force rates highly in international comparisons for innovation and efficiency
- Every year, logistics qualifications based on genuine, specialised knowledge and foreign language skills are acquired by 700 students at major universities in Hungary and by a further 200 post-graduate students
- Nearly 5,000 students receive logistics-basic training in ten higher education institutes annually
- Universities cooperate with several companies to establish teaching curricula and provide hands-on experience to students
- Competitive wages in the service sector

### Modern industrial and logistics facilities

- The greater Budapest area has always been the primary focus for logistics activity. To date, more than 30 modern logistics and warehouse parks of approximately 1.3 million square metres have been developed in a 30 kilometre radius around the capital, primarily along the M0 ring road.
- New development projects are underway in the country's key regions
- Countrywide, there are 206 industrial parks with greenfield or brownfield investment opportunities

Monthly gross wages in selected positions (EUR)	Hungary	Slovakia	Czech Republic
Car Fleet Manager	816.9	1030.0	1094.0
Carrier, Forwarder	693.9	730.0	955.9
Co-ordinator	764.1	820.0	989.5
Counter Clerk	416.1	450.0	634.8
Courier, Deliveryman	449.6	600.0	642.2
Customs Broker	737.3	640.0	784.1
Dispatcher/Traffic Controller	672.6	720.0	851.3
Distribution Clerk	622.4	640.0	769.2
Driver	500.1	630.0	702.0
Forklift Truck Operator	465.2	590.0	653.4
Logistics Clerk	750.9	790.0	911.1
Logistics Controller	800.0	790.0	914.8
Logistics Manager	1024.6	1290.0	1557.1
Lorry Driver	692.6	900.0	840.1
Purchasing Manager	1129.3	1190.0	1071.6
Warehouse Manager	772.5	810.0	903.6
Warehouseman	494.0	570.0	646.0

Source: Mercedes Global Pay Summary, May 2009



### Leading logistics service providers in Hungary

- Waberer Holding Zrt.
- DHL Exel Supply Chain Hungary – DHL Global Forwarding
- Kühne + Nagel
- Logwin
- Schenker
- Wincanton
- Gebrüder Weiss
- Masped Group
- TNT Express Worldwide Hungary Ltd.
- GLS General Logistics System
- Magyar Posta – Hungarian Post

### Logistics centres and development areas in Hungary



### Availability of alternative transport modes

- The growing volume of products arriving from Asia is seen as an increasing incentive for the use of multimodal solutions for distribution within Europe
- There are 13 intermodal logistics centres serving at least two transport modes in Hungary
- The capacity of the Budapest Intermodal Logistics Centre – the arrival point of most block trains – was increased considerably in 2008

### High standard of logistics services

- The Hungarian logistics market comprises both the world's largest contract logistics providers and Hungarian-owned companies offering sophisticated services, consistent flexibility, complete reliability and highly competitive prices
- Logistics activities are the most often outsourced services in Hungary
- The Hungarian logistics market grows by approx. 10% annually
- The logistics sector accounts for up to 5% to 6% of Hungarian GDP
- Major Hungarian players, including the Masped Group, Waberer and TransSped, have enhanced their regional role by investing in neighbouring countries

### Electronic customs clearance

- E-customs import procedures are available in Hungary and currently apply to customs clearance related to releasing goods into free circulation. As of 1 July 2009, export customs procedures in the EU can be completed only electronically. Detailed information on electronic customs procedures can be found in the English section of <http://vam.gov.hu> under the heading "e-customs".
- If all necessary requirements are met, companies registered in the EU can apply for AEO (authorised economic operator) status.

### World-class quality of life

- Budapest is one of the CEE region's top cities to live in
- Several international schools (including Japanese, British, American, German and French)
- Entertainment facilities throughout the country
  - Thermal baths, wellness and recreation centres
  - Public golf courses
  - Rich cultural life
  - Excellent food and wine

# Incentives

The Hungarian Investment and Trade Development Agency (ITD Hungary) supports high-value investments aiming to establish new logistics facilities with a one-stop shop service. As part of the support package, ITD Hungary undertakes all-inclusive project management for projects granted direct cash subsidies (EKD), and provides VIP treatment and comprehensive information about other subsidies available for high-value investment projects.

## I. The Hungarian Government offers a special incentive package for projects with eligible costs exceeding EUR 10 million. The Package may consist of the following elements:

### 1. Direct subsidy assessed by individual Government decision (EKD)

- Non-refundable subsidy, defined as a percentage of eligible costs, based on the Government's decision
- At least 10 new jobs must be created

### 2. Development tax allowance

- Minimum EUR 10 million investment with 150 new jobs in developed regions and EUR 3.3 million with 75 new jobs in less developed regions
- 80% of corporate income tax (currently at 16%) can be deducted for a period of up to 10 years

### 3. Training subsidy

- From 25% to 80% of total training costs, depending on the type of training, the size of the applicant and the location of the investment

### 4. Job creation subsidy

- Issued to projects for which an individual cash subsidy has been granted; located in Northern Hungary, the Great Hungarian Plain (North and South), South Transdanubia, or in less and least developed microregions or settlements in other regions, and which create at least 500 jobs in less developed areas, or at least 200 in least developed microregions; the ratio of registered unemployed within the newly-recruited staff exceeds 50% and 30%, respectively.
- Subsidy per investment:
  - HUF 260 million (EUR 0.9 thousand) if headcount increases by at least by 500
  - HUF 160 million (EUR 0.5 thousand) if headcount increases by at least by 300
  - HUF 80 million (EUR 0.3 thousand) if headcount increases by at least by 200

## II. Support schemes through tenders co-financed by the European Union.

Three forms of schemes are available:

### 1. EU co-financed cash grant (through GOP tenders)

- This is a non-refundable cash subsidy issued by the National Development Agency and approved by the EU. ITD Hungary provides full information on currently open tenders on request.

The other two forms, i.e. Development tax allowance and the Job creation subsidy are offered under the same conditions as in the package outlined in section I.

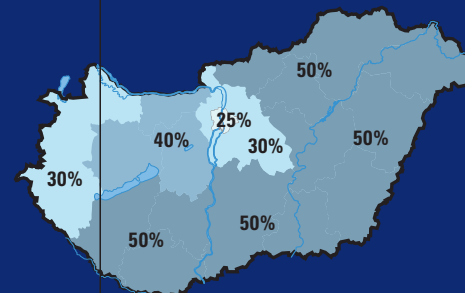


### Recently established regional logistics centres in Hungary

- DAF-PACCAR Parts
- Renault – Nissan
- General Motors
- National Instruments
- Porsche Parts
- GE
- Sanofi-Aventis
- Pfizer
- Philips
- Panasonic

### Maximum regional intensity rates of state subsidies

Cash subsidy + tax allowance + any other state subsidy (excluding training subsidy) combined cannot exceed the maximum regional subsidy intensity rate for the given location. These are between 25% and 50%, depending on the state of development of the region.



# Follow their leads – some recent investments

Scores of multinational manufacturing companies have established or expanded production facilities and activities in Hungary – due in large part to the country's logistical advantages.

### DAF Trucks Hungary Ltd:

*"PACCAR opened a new Parts Distribution Centre near Budapest, to improve the delivery lead-times to its the Central and Eastern European dealer network. This region has high priority for PACCAR due to its promising economic potential. Hungary is a perfect geographical location with good transport infrastructure and proven track record in logistics". // Péter Csobó Managing Director*

- PACCAR is a global technology leader in design, manufacture and customer support for premium light-medium and heavy duty trucks in Europe under the DAF brand
- The company's Parts Distribution Centre opened in 2008 in Zsámbék to serve 15 countries in the region
- The warehouse, is equipped with the latest logistics technologies, covers 28,000 m<sup>2</sup>
- The Hungarian centre is the 13th member of the PACCAR Parts worldwide distribution network

### Kühne + Nagel

*The Hungarian entity of Kühne + Nagel is very well positioned for serving the South-East-European region as a hub and can clearly benefit from growing demand for forwarding and logistics services in the region. // Elemér Élő, National Manager, Kühne + Nagel Kft*

- In 1992, Kühne + Nagel entered into the Hungarian forwarding and logistics market with sea freight, airfreight, contract logistics, overland and customs services
- In 2003, Kühne + Nagel moved to its new state-of-the art office and warehouse facility in Páty
- In 2007, Kühne + Nagel opened its FMCG warehouse in Herceghalom
- In 2007, Kühne + Nagel extended the geographical scope of its contract logistics business by adding regional warehouses in Polgár and Körmen to focus on automotive and high-tech sectors

### Pfizer

*Pfizer decided to move its Central-Eastern European Regional Distribution Centre from Belgium to Hungary because of the country's geographical position in the CEE region, excellent infrastructure and ongoing infrastructural development. As the first step of the development project, Pfizer exclusively distributes its products from the warehouse in Hungary to wholesalers of Albania, Bosnia-Herzegovina, Bulgaria, Belarus, Croatia, Moldavia, Macedonia, Serbia, Romania, Slovenia, Slovakia and Ukraine // Mario Gattino, Country Manager, Pfizer Hungary*

- Pfizer, founded in 1849, is now the biggest pharmaceutical company in the World
- Pfizer Hungary was founded in May 1991
- Pfizer's new Central and Eastern European Regional Distribution Centre (CEERDC) was opened in Budaörs, Hungary on December 17, 2007
- Pfizer operates its new logistics center via a third party contractor, supplying 15 countries
- Pfizer's investment of USD 6 million provides 20 logistics workplaces directly, which indirectly means 50-100 new logistics jobs with potential for further development