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**Environmental Public Spending in
Romania – the 2004-2016 “Junk” Program**

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Abstract: Our paper is a review of the "Junk" program in Romania after more than 10 years of implementation. It discusses the limitation of the program individually and of the environmental policy as a whole in our country. We also intend to talk about the main limitation of the research area and the shortages in public information. As we consider the subject still important for Romania but also for Europe as a system our intention is to continue in future papers the research and to extend it.

Keywords: junk; environment; subsidies; public spending

1. Introduction

Environmental issues are more acute and more important than ever at this time. Goods and people transport are among the most polluting sectors of activity, and governments are seeking ways to limit the impact of this activity on the environment as far as possible. Vehicle manufacturers are also interested in less polluting technologies, but at the same time preserving the most important market share. Both sides, both governments and manufacturers in the automotive industry, are primarily confronted with educating consumer consumption behavior, which tends to remain faithful to established (usually highly polluting) technologies, at least in some emerging markets. In this context, where consumers and producers have to meet their consumer behavior and economic performance, governments are trying to make use of environmental protection policies involving either subsidies or high consumption taxes for certain products considered dangerous for the quality of the environment. Many Western European countries have even set bold targets for the next decade in the drive away of vehicles powered by classic engines (especially diesel). The emerging countries of central and Eastern Europe have a difficult stance with such targets due to the consumption behavior of their own citizens, but also due to the impossibility of stopping the transfer between markets.

Thus, the governments of these countries face massive imports of classical propulsion vehicles and often with Euro 3 and 4 pollution standards. It is a situation similar to the transfer of industrial technology that fails to meet the environmental standards of the developed countries is transferred to the countries emerging, which often have more permissive environmental protection standards.

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2. The “Junk” Program in Romania

Since its inception in 2004, the "Junk" program has been ambiguous through its stated objectives and implementation. Although it was funded by the government's environmental fund, it was also said to be a stimulus program for the auto industry. Even though it was among the few concrete environmental protection initiatives, it was only doubled by other policies in the field. Thus, the environmental tax introduced and suspended on several occasions and forms, and then canceled, could have proved to be a support for the "Junk" program and environmental objectives. Concretely, if the "Junk" program aimed at rejuvenating the national car fleet, by crashing cars older than 10 years and subsidizing the purchase of new vehicles, the environmental tax attempted to stop the import of "junks". However, due to the poor management of this tax and the pressures of the European Commission, the rejuvenation of the car fleet only temporarily failed in 2010, when the average age was reduced to less than 11 years. Very soon, however, the increase in imported ramps led again to the average age of the national car fleet over 11, reaching 20-15-20 at almost 14 years.

Given that one of the stated objectives of this governmental program was the rejuvenation of the Romanian auto fleet, we can conclude after more than 10 years of implementation that this objective has not been achieved, and not because of the program itself, much because of the lack of public policy support instruments (of a fiscal or other nature).

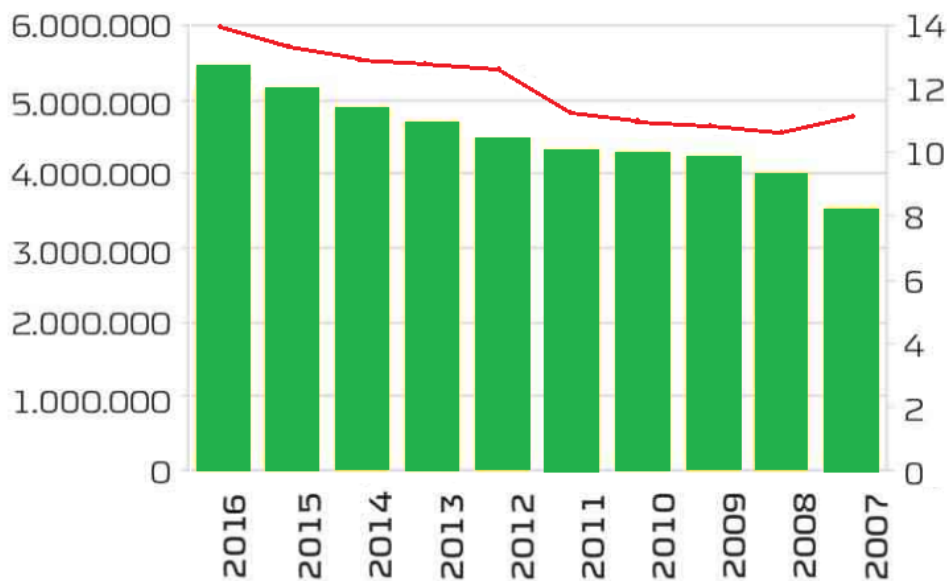


Figure 1. The age and volume of the national automotive park

Source: DRPCIV

Moreover, while many European countries are pushing the automotive industry and imposing regulations favoring the replacement of classic and hybrid electric vehicles, the "Junk" program had a late and shy component in subsidizing the purchase of such vehicles of motor vehicles.

Given the policy of "greening" the transportation in the Western European countries, it is expected to see in Romania (and other Eastern European countries) an increasing of imports of "junks" in the future and a failure of environmental policies as the "Junk" Program.

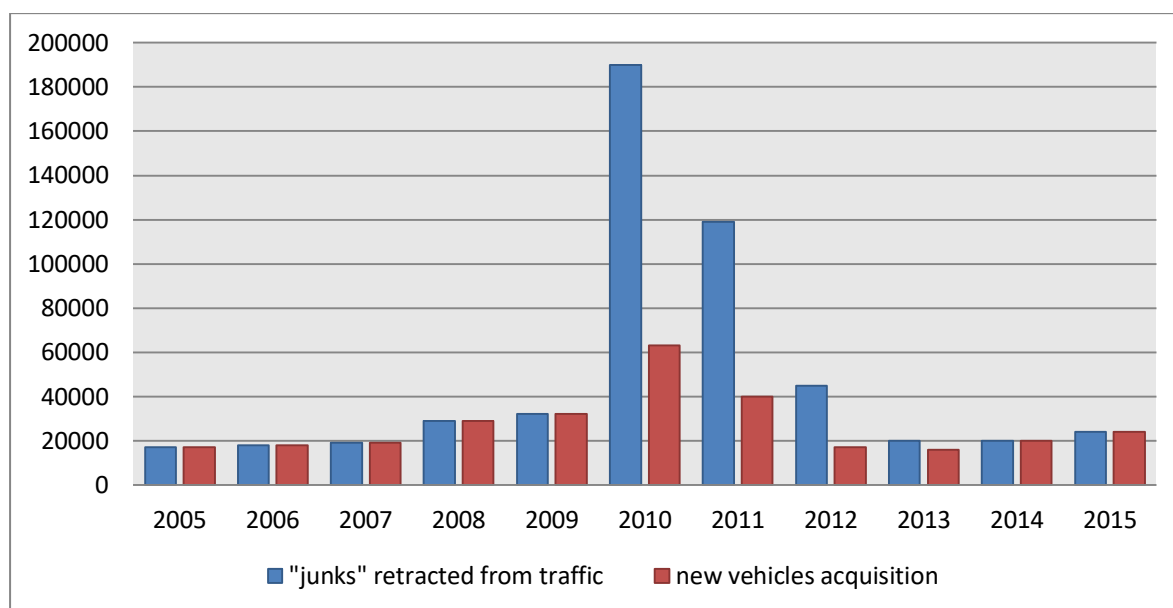


Figure 2. The evolution of the program 2005-2015

Source: APIA

As we can see in the figure above, the best year of the program was in 2010 when both the number of old vehicles withdrawn from traffic and new vehicles bought was higher than ever before and was never reached again afterwards.

3. Conclusion

As we have stated in previous papers on the subject the main limitation is related to the access to official data regarding the results of the program. The governmental statistics are not available and only some of the figures can be found but not all are reliable as it would be from a governmental report or database.

Other limitation is related to the program itself. Many stated that the program was intended to encourage the national automotive industry and other are talking about an environmental protection program. Given the shortage in governmental information it is hard to agree one or the others. The fact is that the program is financed from the environmental fund, a fund based on environmental taxation.

Our present study is just a review of the status of the program after 10 years of implementation. We intend to extend the study in the future and to investigate the impact of the program in connection with other actions made for the sake of the environment.

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***DRPCIV statistics.

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