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**STRATEGIC DIRECTION SESSION ST5
*Access to mobility: a basic social service***

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Summary

Within the framework of analysing the trend of road accessibility, the report deals with the impacts of economic decline accompanying transition from a planned economy to a market economy on the traffic. Despite a continuous growth in passenger car ownership and road transport performance, the underfinanced road network with an unfavourable structure and poor condition is also a cause of the extremely great regional differences in the road accessibility as measured by driving hours. The ongoing development of the road network based on a 15-year long-term programme approved by a government decree also contributes to achieve an improvement in accessibility.

The report describes and analyses in detail attempts made to attract road users (motorway toll) and foreign private capital (concessions) to cover road network development costs. The introduction of motorway tolls which cover investment costs has encountered serious social resistance and deterred a lot of potential users from using toll motorways. In recent years, a concession motorway company has gone bankrupt and on two motorways direct toll collection has been replaced by a vignette system. Major efforts have been made to reduce motorway tolls and unify the tolling system. All these costs are, however, paid ultimately by the taxpayers, i.e. road users (including foreign ones) for the moment bear only a small portion of motorway development costs. Due to difficulties arisen, the recent years have seen a slowdown in the pace of motorway network construction now exclusively financed through budgetary funds and loans raised with government guarantee.

Finally, the report discusses the development and practical application of methods of establishing a dialogue (including consultation and participation) with the population in the course of preparation and implementation of the road network development. Public information bureaux set up by the institution responsible for network development are extremely useful in providing information to people living in the particular region and resolving misunderstandings, while contributing effectively to a considerable reduction in the duration of preparation. Communication impact assessments carried out so far serve as a good basis for the ongoing improvement of methods of dialogue with the population as well as for legal regulation now in preparation.

1. Accessibility to road

In conjunction with the fundamental political and economic changes occurred in the 90s, the road transport and the road network development, maintenance and operation have also undergone substantial changes in Hungary. The transition from a planned economy to a market economy has involve a serious economic decline. The performance of the transport system has also reflected these socio-economic changes. In the years 1993 to 1994, the goods transport performance dropped to 65% of that in 1990, whereas the passenger transport performance declined to 90% of that in the same year. Although the GDP reduced at a lesser rate and its value has already exceeded the 1990 level by the turn of the millennium, the transport performance, although increasing, has not yet reached that level. In the meantime, the allocation of traffic among modes (the ratio of performances) has steadily changed (in favour of road transport), approximating to the values observed in the European Union. Passenger car traffic and bus traffic in Hungary accounted for 65% and 24% of the annual performance of passenger transport, respectively in 2001. The permanently underfinanced Hungarian road network cannot, however, meet the growing needs of the society and economy either in terms of its level of development and structure, or in terms of its condition and level of service.

In recent years, the vehicle fleet have increased drastically and become more advanced in terms of its structure and emission parameters (Figure 1), although the average age of passenger cars and buses is still high (about 12 years and 14 years, respectively).

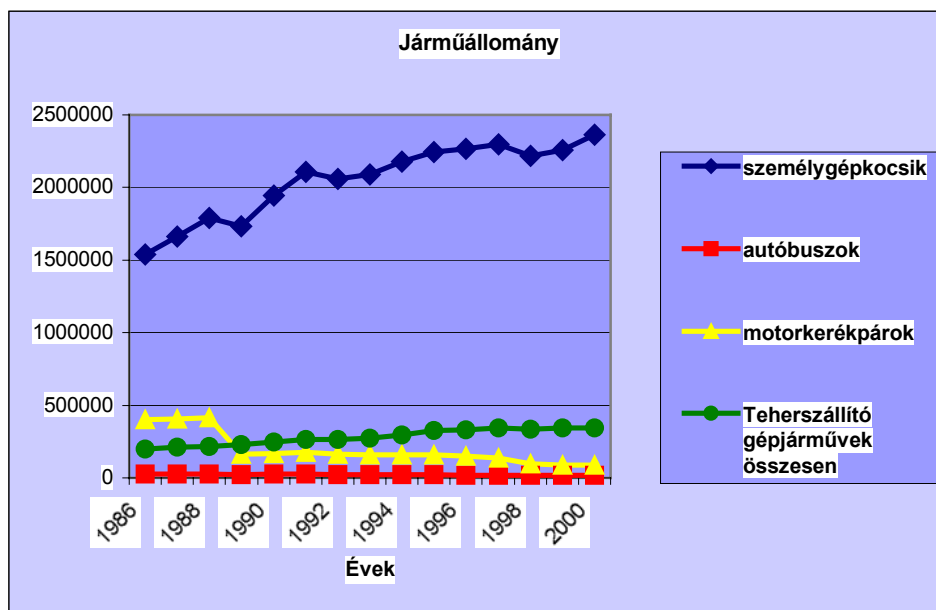


Figure 1: Growth in the Hungarian road vehicle fleet

The per capita passenger ownership was 240 passenger cars per 1000 population in 1991 which is some 50% of average value specific to the European Union. The per capita passenger car ownership values show wide dispersion from region to region between 160 passenger cars per 1000 population (Eastern Hungary) and 280 passenger cars per 1000 population (Budapest, the capital).

In general, the Hungarian road network has the following features (see Figure 1):

- the road network has a *central-radial* arrangement;
- there are no *transversal* connections, except the southern section of the M0 dual carriageway ring road around Budapest;
- currently, motorways *do not yet form an uninterrupted network* and, with the exception of one network, do not reach the national border, thus the considerable and sharply increasing international transit traffic runs through inhabited settlements, impairing the quality of life of those living there;
- the level of development (paving) of the 30,300 km long national road network is nearly 100%, while that of the local road network having a length of about 105,200 km is only 35-40%;
- some 60% of the total traffic ($2,800 \times 10^7$ vehicle km per year) is carried by an about 7,000 km trunk road network accounting for 23% of the national road network, sometimes causing serious congestion on throughways.

Figure 2: The backbone network of Hungarian public road



Due to the features above, people living on some 3/5 part of the territory of the country, i.e. nearly 50% of the population have an extremely poor road *accessibility indicator* as measured by driving hours, which is an obstacle to economic growth and prevents catching up with the more developed regions.

One of the fundamental objectives of the transport policy, which is now being revised taking into consideration the above factors, is to develop at a rapid rate the high-speed road network in the Pan-European Transport Corridors, thus improving the road accessibility indicators in less developed regions as well.

The continued development of the national road network is based on a long-term (15-year) programmed approved by a Government decree in 2001. This programme includes the construction of 1,550 km new high-speed roads, the construction of bypass section to mitigate the environmental and traffic problems of settlements (over a length of some 810 km), the expansion of the capacity of the existing roads (over a length of some 475 km) and, to reduce the gap between developed and disadvantaged regions, the development of the secondary road network (over a length of some 12,900 km). Also included in the plan is the construction of new bridges and the upgrading of existing bridges (14 bridges), the upgrading of junctions to improve the accident situation, and the development of external road border crossings to be established within the European Union in compliance with the requirements of the Schengen Agreement. Motorway and road construction works have been carried out under the programme in 2002 at 33 locations of the country over a length of about 150 km.

2. Experience with the sharing of road network development costs

Until the late 1998, the national road network was financed through the Road Fund formed from earmarked tax revenues and managed by the Ministry of Transport, thus representing a separated budgetary fund with a structure of receipts and expenditure which allowed to make a reliable estimate for the forthcoming years. Since the Road Fund ceasing to exist, the planning of cover for road expenditure, in particular network development costs has become less reliable than previously due to uncertainties in the budgetary allocation of funds.

In the first part of the 90s, to remove the serious discrepancy between budgetary restraints (lack of capital) and road network development needs, in parallel to the privatisation of road construction companies, contracts were awarded through successful international tender procedures for the construction of motorways (M1/M15, M5, M3) and a Danube bridge in a concession system and, mostly with the participation of foreign private capital, for their financing. In the years 1994 to 1995, a 43 km toll section of the M1 Motorway was completed in a concession system, followed by the construction of a 14 km long section of the M15 half-motorway in 1998. An about 100 km long toll section of the M5 Motorway was completed in a concession system in 1998. The 100 km long tolled M3 Motorway was ultimately constructed by 1998 by a state-owned enterprise formed with a modest amount of capital in 1996, mostly using loans raised with Government guarantee. From the early 1993 to the late 1998, 155 km motorway and 59 km half-motorway were constructed and 90 km motorways rehabilitated. At the end of 1998, the length of the high-speed road network exceeded 500 km in Hungary.

As a result of a much lower turnover and revenue than predicted, the concession private company constructing and operating the toll section of the M1/M15 Motorway went bankrupt in 1999. In the case of the Danube bridge, the refusal to increase the state subsidy granted to the concession private company, which had been formed in 1995, led to the termination of the contract in 1999. Only the M5 Motorway has continued to operate financially successfully in a concession system even today with state subsidies granted temporarily to offset operating losses. All this means that the attempt to share the motorway construction costs between taxpayers and motorway users (including foreigners) has brought an ambiguous result.

Since the state as concession grantor did not provide any additional funds for the M1 Motorway project, but provided such funds for the M5 Motorway project (mainly with inclusion in the project of a section for tolling purposes), the rate of charges collected on particular motorways differed significantly. Due to the high level of state subsidy and the preferential terms of loans raised with a Government guarantee, the specific motorway tolls on the M3 Motorway were much lower than those collected on concession motorways. The situation was further complicated by the operation of a system which applied three different toll categories on the toll motorway network having a total length of nearly 250 km.

Thus, in 1999, the fourth year of the Hungarian history of motorway toll collection, the interest organisations of road users (e.g. the Hungarian Automobile Club) had more and more strongly demanded the unification of the motorway tolling systems and a reduction in the tolls considered too high for the Hungarian road users. For this purpose, reference could be made to the failure of the concession company operating the M1/M15 Motorway, since as opposed to the previous estimates the revenues of this company just exceeded 50% of the planned value and therefore the repayment of loans raised for financing purpose became impossible. In such circumstances, the parties agreed on a restructuring of the project where the concession company, in agreement with lenders, has transferred its concession right (including loans rescheduled with a Government guarantee) to a so-called "substitute company" owned by the state and formed for this purpose which has immediately reduced the amount of motorway tolls by 50% on average. As a result, motorway traffic has increased by some 30% on average, but at different rate depending on toll categories, whereas company revenues calculated at a comparative price have declined by 35%.

On a section so passed into state administration it was thus easy to effect the Government intent that tolls must be set so that all Hungarian road user can afford them easily. A Government decree provided that the revenues from motorway toll must only cover the expenditure on operation and maintenance, thus excluding development and financing costs. After fulfilment of these conditions, a uniform vignette tolling system has been introduced as from January 2000 over the total length of the M1 and M3 Motorways. Toll gates were removed from these motorways in 2001. The revenues from the vignette system (amounting to some HUF 10-11 billion every year) cover the maintenance and operation costs for the M1 and M3 Motorways. To finance the debt service related to the repayment of loans raised for construction works earlier, however, budgetary grants must be provided at regular intervals. The introduction of the vignette system has had clearly a favourable reception on the part of motorists (the traffic on the section of the M1 Motorway which was already tolled has increased nearly twofold as compared to the more expensive toll charging period, while from the previously toll-free section the rate of diversion to an alternative route was around 10%, practically not influencing the traffic parameters of the M3 Motorway), however, due to the high rate of casual road users the measure has not been received with recognition in all destinations.

The different character of tolling systems, however, still exists, although negotiations are being conducted to extend the vignette system to the M5 Motorway which is still operating successfully in a concession system and applies a direct tolling system. In the meantime, a number of concepts (e.g. electronic toll collection) have been devised for the uniform and long-term reliable development and operation of the motorway tolling system, it is, however, probable that further radical changes will not take place until the completion of the DESIRE research programme aimed at defining a uniform European tolling system.

3. Dialogue with the population

Consultation means a forum starting with information supply but also seeking the opinion of those affected, as a result of which distinct opinions concerning designs reach designers and developers, however, it is not compulsory to take into consideration and accept them. In this framework, representatives of the Nemzeti Autópálya Rt. (National Motorway Co) have held personal consultation with the mayors of settlements affected by the newly designed alignments, entered into co-operation agreement with the regional municipal co-operatives, opened public information bureaux and established high level, expert type relationships with all non-governmental organisations which are interested in or criticise developments. It is also planned to allow the expression of opinions about designs presented through Internet by electronic means.

Participation means the highest level contact with those affected where an investor not only has to listen to but also has to take into consideration opinions given after information. Its simpler form is public demonstration or public hearing where taking into consideration opinions, in fact, depends on the consideration by the licensing authority and its decision taken on professional grounds. Although Hungarian laws do not, for the time being, require to take into consideration compulsorily the opinion of those affected, there is a general trend of using municipal and public opinions by the licensing authority as widely as possible. For major projects, the inhabitants affected are also lobbying strongly during the licensing procedure for the compulsory ordering of further developments which on professional grounds cannot usually be related anyway to the project. It can fundamentally be attributed to the fact that the regional and local development funds can be considered minimal as a result of the still excessive financial centralisation.

The local municipalities and the regional municipal federations can obtain at monthly intervals information from the public information bureaux of Nemzeti Autópálya Rt. about development in the preparation of a particular project. These bureaux wait for inquirers during opening hours announced in advance on five-six days during a week. Inquirers usually ask for information about environmental and land acquisition issues from the prepared staff members of bureaux who have to maintain a journal of the issues occurred. Land acquisition procedures required for projects have become much more simple with the setting-up of such bureaux.

If the nature of an issue does not allow proper response to be given directly through the bureau, the issue is forwarded to the head office of the company where inquirers obtain a precise answer in writing from engineers or lawyers working on the project. In many cases, information has been provided for citizens not by the investor but persons having a good knowledge of the area of the proposed alignment have called the investor's attention to certain local features, discoveries related to archaeological issues, wild animals' migration routes and the possible hazard of munitions.

Based on an evaluation of the initial period of operation of public information bureaux, it has been concluded that the new institutions have helped particularly efficiently to supply information to those living in the region and to resolve misunderstandings. In addition to the favourable local response, it can also be attributed to these bureaux that the licensing periods have been shortened to manageable periods for some sections. Also, a proof of the hitherto successful operation can be that the population count on the records kept regularly by the bureaux during the construction period, which in an unprecedented action.

The final version of the methodology for preparing public communication impact studies was approved in 1997 on the basis of which an investigation was started (and completed successfully in May 2000) to explore the impacts of a vignette type toll collection which was planned to be introduced from 2003 on the M7 Motorway in relation to its extension and rehabilitation. Since then such investigations using this methodology have been commenced or completed on a total of about 800 km long sections of the high-speed road network from which a number of very useful lessons as regards the dialogue with the population have been drawn, such as:

- the opinion of the public about certain issues does not, in many cases, coincide with the opinion and position attributed by specialists to the public (without questioning them);
- although direct surveys are carried out (both in the opinion research and monitoring phases), the dialogue is highly unorganised and shows failures. The population of settlements affected, the local and national representatives of the population and the employees of regional/municipal offices concerned in technical issues are not informed automatically and adequately about issues affecting them and even neither the "locality" of information exists: there is a lack of a public information bureau where the latest information at a particular time would be available about these issues;
- on road network development matters, the population primarily obtains information from the national electronic and written media; these sources are, however, much less credible in the public's view than the civil sphere playing a very weak role in the information supply which is considered much more credible and trustworthy similarly to local politicians.