



MINISTRY
FOR NATIONAL ECONOMY

Public transport

High costs / low efficiency

Focus

A key element of the wellbeing of people is the efficient organization of public transport. The advantage which Hungary enjoys is that it has a dense transport network in a European comparison.

Background

Public transport provides the 7-9% of the Hungarian GDP. In the 2011 budget Hungary allocated 240 153 million HUF exclusively to public transport. Out of this the state railway company receives 181 153 million HUF, Volán receives 27 000 million HUF and the BKV (Transport Company of Budapest) receives 32 000 million HUF. These amounts do not include the funds provided by the Operative Transport Programme, the travel subsidies for various social groups (the customers' price supplement was 109 000 million HUF in 2011), the costs of the construction of subway 4 (27 680 million HUF) and the funds distributed for the smooth running of public transport (1128 million HUF).

Similar problems have arisen in most OECD countries. The number one thesis of the ITF (International Transport Forum belonging to the OECD) and the JTRC (Joining Technology Research Centre which was established by the OECD and the ITF together) that in the traditional micro-economic sense public transport can only be loss-making. This, however, does not mean that individual branches can not be profitable.

About railways in general

Hungary has one of the most extensive and most outdated railway networks in the region. The 7511 km long railway network is typically Budapest-centered with hubs and spokes. The 15% of the tracks are bi-railed and the 35% are electrified, compared to the EU average of 40% and 47%, respectively. Due to the outdated technology, there is speed limit on nearly 35% of the tracks. As a result, the traveling time is longer and timetables are anachronistic. Because of poor maintenance, the technical-technological apparatus has been deteriorating and it results in ever fewer passengers. Furthermore, the vehicle fleets are outdated, too.

The current railway ticketing system does not facilitate the collection of concrete travel data such as the utilization of certain tracks or lines, what the profile of the passengers is as far as allowances and age groups are concerned. Due to the deteriorating technological conditions and the rising price of the tickets, the railway company has been losing passengers in its own market, as they opt either for automobiles by making up groups and sharing costs or for buses. There are no P+R parking facilities and traffic hubs where there could be interchange between the Volán and the railway system.

The MÁV group

In 2001 for the MÁV group 173 432 million HUF are allocated as subsidies for passenger transport and the maintenance of the railway network. In the past ten years it received additional funding several times on top of what had been allocated in the budget law. By 31 December 2010 the group's debts amounted to 291 157 million HUF.

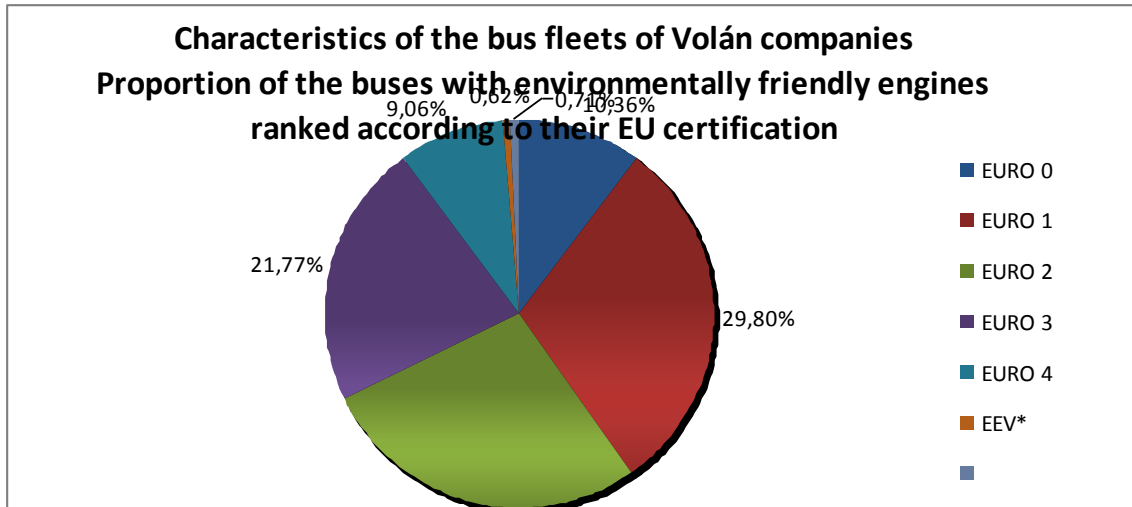
The MÁV group is made up by 24 companies; the number of the employees is slightly more than 40 000. A comparison between the efficiency and the cost structure of the MÁV and that of the railway companies of the EU and the V3 countries has been based upon two indicators. To inputs belong the number of employees, the proportion of state subsidies and the length of tracks. The indicators of the number of kilometers covered by each passenger (km/passenger) and the weight transported per one kilometer (ton/km) make up the outputs. If the efficiency of a railway company is above the average then it has a greater

share of the overall EU outputs than of the inputs. If the efficiency of a railway company is below the average then it has a smaller share of the overall EU outputs than of the inputs. If the efficiency of a railway company matches the EU average it has equal share of the inputs and the outputs.

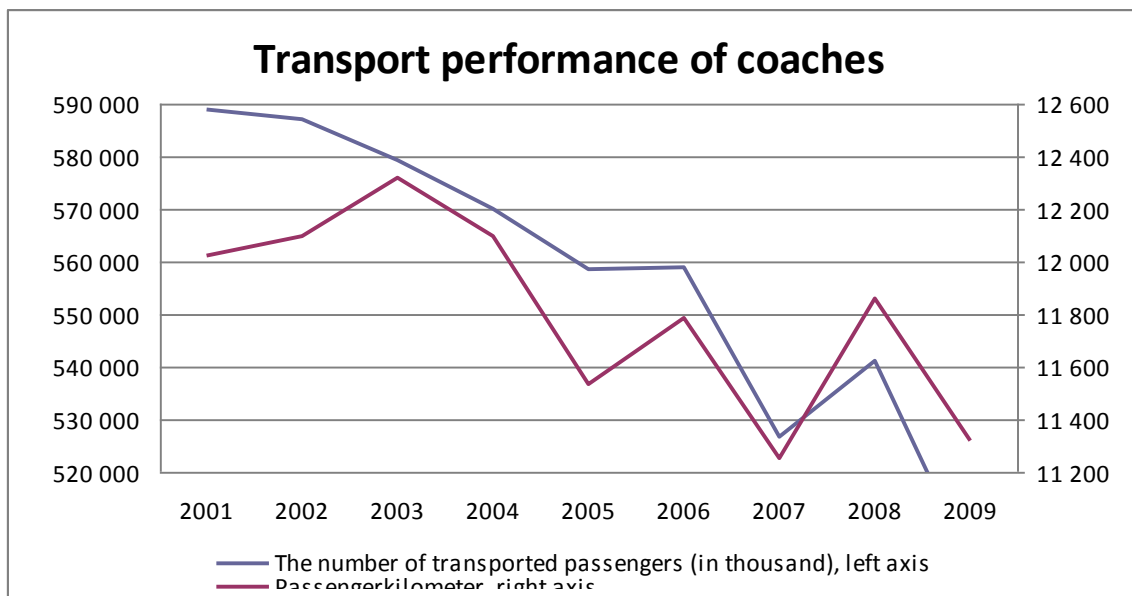
In Hungary the efficiency of the railway company is slightly above average as far as state subsidies and inputs are concerned. Out of the sum total which railway companies receive in the EU as subsidies the Hungarian railway company gets 1.9%, out of the km/passenger figure it has a share of 2% and out of the ton/km figure it has 2.2%. Comparing the performance to the length of railway tracks as input, however, the result is the opposite: relative to the EU average the length of the Hungarian railway tracks is high, but the indicators of km/passenger and of ton/km are below the average.

The Volán companies

The 59 companies which make up the Volán, and from which 24 handle passenger transport, received 27 000 million HUF as subsidies from the budget in 2011. 36 companies are responsible for scheduled local and domestic public transportation. They carry more than 3.9 million passengers (the overall number of the local and domestic passengers) on a daily basis by 77 000 vehicles. Two-thirds of the passengers can reach their places of work, another settlement or a GP, etc., only by coach. The group also has 12 companies which carry out freight forwarding and logistical tasks. Besides passenger transportation, the companies provide services such as, for example, informatics, financial and banking services, auditing, construction, etc. The vehicle fleet of the Volán companies is quite outdated, and their engines can only partly comply with the EU requirements. (Fig. 1)



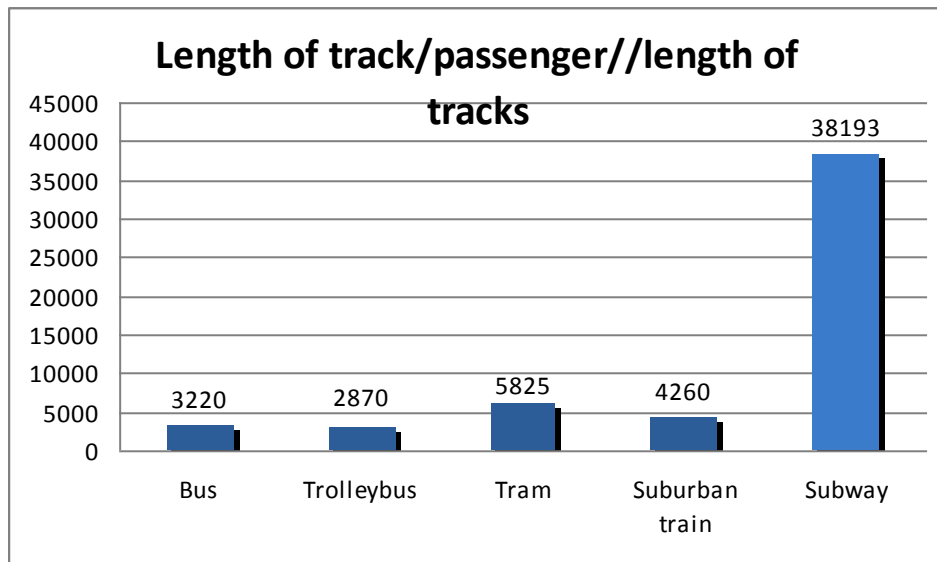
The dilapidated infrastructure such as the quality of buses and roads makes it difficult to provide high-level and marketable services and, at the same time, it reduces the number of passengers. (Fig. 2)



The ticketing system of the domestic public transport by road is outdated and it does not facilitate the collection of concrete travel information (ex. the utilization of certain routes or lines, the profiling of the passengers as far as allowances and age groups are concerned). As automobiles are the vehicles of choice, the environment is adversely affected and passengers have been deserting the Volán companies.

The BKV (Transport Company of Budapest)

In 2011 the BKV will receive 32bn HUF as “normative” support from the budget and Budapest has been additionally requesting 19bn HUF from 2011 on. The BKV transports 5 361 000 passengers and covers 21 552 000 kilometers. The total number of BKV lines (subway, bus, tram) is 301. The share of the individual means of transport related to the number of passengers they carry is shown below. (Fig. 3)



The performance of the three subway lines, as far as the number of passengers they carry is concerned, is twelve times as much as the corresponding figure of the bus network all across Budapest. Utilization is uneven, as the 22% of all passengers utilize the 3% of the entire BKV route network. 51% of the incomes are made up by some kind of state subsidy. The

Budapest Municipality provided an amount to the BKV budget which equaled 3.7% of the ticket revenues of the company. About half of the operational costs (46.7%) are attributable to wages. The BKV owes 77bn HUF in debts to the banks. The current financial shortfall can be estimated at 25-30bn HUF. Almost 720bn HUF in shortfall is the result of the lack of amortization compensation and its postponement. To achieve smooth running, the company received 17 500 million HUF extra funding on top of the “normative” support of 32 000 million HUF which had been allocated in the 2010 budget law. Out of these subsidies, the last installment of 7500 million HUF was transferred in December.

Conclusion

The MÁV group, the Volán companies and the BKV operate inefficiently and their financing most resembles a bottomless well.