

THE HUNGARIAN TRANSPORT POLICY – ACCESSION TO THE EUROPEAN UNION

Zoltán Kazatsay

Abstract

This presentation introduces shortly the Hungarian transport policy, mentions its key questions and the main lines of the strategy. The main objects of the development of infrastructure and the notions on financing are also described. It also deals with the user or polluter pays principle, which is the target of both the European Union and the Hungarian transport policy. The final section refers to the questions of motorway charges.

Variations in the Hungarian transport policy

Before the beginning of the accession negotiations in 1996 the Hungarian Parliament discussed the transport policy for the first time after the change of regime.

The main issues of the transport policy were:

- the development of backward transport infrastructure and instruments, making up for backwardness,
- the role and task of the state in the development, operation and regulation of the transport sector, reshaping the proprietary conditions,
- exemption of the contradiction between the growing mobility, the environmental pollution and the increasing importance of the protection of the environment and nature,
- the spontaneous modification of the share of some ways of transport and the problems of the desired division of labour,
- employment of the “user pays” principle and the causal, “polluter pays” principle which is the internalisation of externalities therefore it would impose the costs bore by the society to the originators and
- the furtherance of integration to the European Union.

These questions appeared in the transport policies of more developed countries in the second half of the 1980s, in the 1990s and even in the transport policy of the EU published under the name of “Sustainable mobility”.

The effect of the socio-economic changes, the experiences of the past period and the transport policy of the EU called The White Book which is valid till 2010 and was issued in 2001, made it necessary to renew the transport policy accepted in 1996 taking into consideration the accession to the European Union in 2004.

The harmonization of the actualised Hungarian transport policy is in progress before submitting it to the government and it will probably be presented to the government this year.

The priorities of the modernized transport policy:

- building up the missing transport infrastructure within this topic it is a major issue to develop the Hungarian sections of the Pan-European corridors, the TERFN corridors and to dissolve the capital-centred network structure,
- the absolute employment of the transport regulation of the EU but if possible taking into consideration the national characteristics. The main issues within this topic are the

execution of the rail reform, restructuring of the operation of public services in passenger transport and the regulation of competition in compliance with EU law.

- environmentally sound restructuring the transport system with the implementation of environmental measures and with rearranging the division of labour. Those infrastructure buildings which encourage intermodality while offering more environmentally sound alternative and the usage of more environment-friendly ways of transport when traffic is diverted from road to rail, inland waterways and public transport have to get priorities.

The strategic main lines of the new Hungarian transport policy corresponds with the main lines of the transport policy accepted in 1996:

- helping of the integration to the European Union,
- enhancing the conditions of the regional connections with foreign countries,
- promoting the realization of the aims of regional development,
- improving of the quality of life, preserving good health, increasing the safety of transport, protecting the environment,
- setting up the conditions of the regulated competition and effective operation.

In sum the aim is to create an integrated traffic system that has a boosting effect on economy through the high quality satisfaction of the passenger and freight transport needs influenced by external costs and its services. With improving the conditions of the public passenger transport and the share of rail transportation it will help to develop rational share of the ways of transport. It will also contribute to the successful integration of Hungary to the European Union, to brighten relationship with neighbouring countries, to even internal territorial differences while negative effects on human life and nature caused by traffic would decrease sensibly.

Financing of the transport development

It is our national economic interest to increase the performance of the Hungarian economy. The capability for capital acquisition should be increased therefore modern traffic infrastructure; especially extensive motorway network is needed. In this field each HUF invested involves 3-4 HUF worth investment in the production sector. Emphasizing motorway buildings may seem to be inconsistent with the objective of placing environment-friendly ways of transport into prominence. The inconsistency is apparent because the specific density of the Hungarian motorway network does not reach even the half of the average of 15 EU countries.

The tasks to be carried out in the Hungarian transport policy have a great capital need. The transport policy states that in order to fulfil its objectives more sources would be needed than it was in the past. The building, operation and maintenance of transport infrastructure belong to the state. The White Book says that the financing of the transport infrastructure is based on state sources and most of the current road or rail projects follow this pattern so the whole society has to bear its burdens.

As for the ownership the Hungarian transport policy aims at keeping the national road and rail network with those junctions and the waterways permanently as state property. Those elements of the infrastructure that are considered to be operated within the private sector

under market conditions where privatisation does not threaten non-discriminatory public access and use.

The enhancement of the transport infrastructure, deriving from the economy-boosting role of the state, must be emphasized. The transport policy assumes that the index for exterior and interior debts, the balance of foreign trade would improve; the inflation would decrease so the state becomes able to finance the transport infrastructure in accordance with a quicker schedule than in the past. (This supposition seems to be a bit too optimistic.) Beside the state budget the ISPA fund, and after accession the Cohesion and Structural Funds, the budget of the Trans-European network in co-financing form, loans for European banks and – in theory – private capital can be taken into consideration as sources for developing, modernizing transportation. It is the state capital-organising function to find the possible ways of involvement of private capital (issuing of bonds, co-financing with investors, public private partnership - PPP) into the development, operation of transportation.

According to those project carried out purely from private capital even the White Book is sceptic when it ascertains that private investors lost their interest in financing transport infrastructure. It is not to optimistic with the PPP co-operation either as it says that despite its advantages the administrative/private partnership is not able to attract private investors. The White Book offers a not really EU-compatible method according to which the financing of the infrastructure establishment should be covered by infrastructure charges levied for the total territory of the region or from financial burdens. It mentions as an example that Switzerland accepted such a rail infrastructure enhancing programme which is more than 50% financed by charges levied for Swiss and foreign heavy vehicles. The lack of EU-compatibility is that the user does not pay for what was used so it is cross-financing.

Division of labour in traffic – the user (polluter) pays

Before the change of regime the share of rail was several times bigger in Hungary than the current share within the EU and it is still twice as big as the EU average. In this field the aim is to stabilise rail performance share but at least to restrain decrease. The share of combined freight traffic, in accordance with the White Book, should be increased.

It is not possible to regroup the share of different ways of transport and to increase the share of rail, water and combined transport only with the use of administrative tools. According to the EU jurisdiction and transport policy it can only be realized if similar conditions are set for competition with enhancements needed, the restructuring of railway – division of the infrastructure from the cargo and passenger parts, opening of the rail network – with the general implementation of infrastructure charges (user pays principle) and building the costs borne by the society in the infrastructure charges (causal or polluter pays principle). In order to set all these conditions there is still a long way to go even for EU countries since the White Paper has only targeted the creation of a framework directive on the basic principles of infrastructure charging and the structure of tariff systems for all ways of transport. In this directive there will also be a methodology for determining price level including external costs. At the moment the EU law only allows to employ such charges which do not exceed the level of infrastructure costs. The new proposal on the use of infrastructure being elaborated by the European Commission would allow to internalise external costs (deriving from accidents, environment pollution etc.) in the charge for the use of infrastructure which is a deviation from the current regulation.

The actualised Hungarian transport policy composes so that the charges payable for those transport routes which can only be used against a charge should gradually reach the costs of maintenance, operation and renovation. In Hungary at the moment road transport is only charged on motorways, the implementation of the charge for the use of rail infrastructure is to be introduced soon, the use of airports, air space and harbours is already charged. The charge for the use of rail infrastructure will not cover the costs of operation and traffic control, the deficit and the enhancement of rail network must be secured from state budget. The transport policy does not exclude that in road transport a charge should be paid for all kinds of roads in the future.

The White Book sets the introduction of a just and effective charging system on each transport network as a target. This means that the charge should be proportionate with the service taken, the length of way done and the consumption, damage, pollution caused. In Europe there are six countries where there is a charge to be paid for a part of other kind of roads besides motorways but this charge is only employed for heavy vehicles and not for the total road network. This charge is also paid on a yearly basis so it is not a performance-based casual charge. The new proposal prepared by the Commission would comprise for high-speed motorways and for those roads which can be used to bypass them. The Hungarian transport policy disposes so that charging principles and structures referring to the use of infrastructure which are published in the transport policy of the EU should be followed with attention. Of course after the accession these are not only to be followed but we actively have to take part in the formation of them.

In accordance with our transport policy the user pays and the polluter pays principle, which means the charges and tariffs are corresponding to the actual total costs, can only prevail on long term in proportion with the increase of the payability of passengers and forwarders.

The problematics of the charge for the use of motorways

The most spread way traffic infrastructure charge is the charge for the use of motorways in the EU. This can result from the fact that even in the most developed countries the possibilities of the state budget are limited. So it seems obvious that those roads, motorways which assure the highest quality and the fastest attainment are to be built and operated on commercial basis. So private companies get concession right to build motorways and to collect charge for it – from that they got the money invested back and from where their profit comes from. It can also happen that the state builds the motorway from loans and the total amount with its interest is paid back from the charges collected. The charge must cover the costs of operation and maintenance.

That recognition those using roads are willing to pay for the higher quality encouraged some countries to exempt the state budgets from the costs or a part of the costs of operation, maintenance of motorways with the introduction of tolls (like in Switzerland, Austria).

At the beginning of the changing of regime in 1990 only foreign investor groups in concession form could build motorways as the productivity of the economy drastically dropped. Two motorway sections were built this way but there were so high charges set that most of the traffic had stopped using those sections or had not even used them. The result was that the investor groups could not get the income planned – one of them went bankrupt and the state had to buy it out and the other gets an income supplement from the state. Most of the traffic uses the parallel traditional roads which go through villages. The surplus costs of

building of bypass roads burdens the state budget. Involving of private capital into building of motorways did not really work in Hungary.

The state has not renounced from the toll and it became general even on those motorways maintained by the state. The toll covers the costs of operation and maintenance, but most of the traffic still leaves the motorways where a toll is to be paid or a motorway fee sticker is to be bought. There was a political decision on the modification of current charging system which means that within few years we have to switch over to a new electronic charging system in conformity with performance.

Many transport and road construction experts disapprove that a charge is levied on the use of motorways since it would have significant environmental, transport safety, travelling time reducing advantages, cost savings appeared on national level and positive externalities which are lost if the traffic does not use motorways because of the charge levied. In sum the balance of income from charges, positive externalities which do not appear and the negative external cost shows negative result on national level.

It does not serve the purpose of creating the conditions for equality in competition of different ways of transport or the aim of rearranging the division of labour either if you only have to pay for the use of motorways, so thus the user pays principle.

It is a dilemma that the costs of motorway constructions should be paid

- by the users – this would result in such a high charge that nobody would be willing to pay
or,
- by those having a car through taxes in relation with the operation of vehicles (motor vehicle tax, tax on fuel etc.)
or,
- by the whole society which means that costs should be covered from state budget.

The EU supports the second option on those territories which are sensible for traffic. In the White Book the EU suggests to cover the costs – at least partly – of a newly built, alternative infrastructure from the infrastructure charges levied for the whole territory of a region.

A totally correct infrastructure charge has not been formed so far and we probably will not be able to achieve such. The tax which is included in the price of petrol and the charge for the use of motorways mean double taxation. It is probable that in the EU the tax on petrol will also remain in the future and it becomes general to collect infrastructure charges differentiated by different considerations electronically based on satellite-based localization.

We think that it has not crystallized in the EU either what is to be included in the circle of infrastructure costs covered by infrastructure charges. The following alternatives can be outlined:

- total costs or a part of the costs of operation and maintenance,
- beyond the first version the costs of modernization, reconstruction or a part of them,
- plus the instalments and interest costs of loans used for network enlargements or the security of future network enlargements or a part of them,
- plus external costs.

The charges for the use of infrastructure enlarged with external costs cannot be that high what would be desired by the financial policy of each country and – as it is written in the White

Book – that it would lead to the decrease of traffic. The citizens stick so strongly to the use of cars in order to satisfy their mobility needs that they would be able to make governments draw back their ideas on charges. The ability of vehicular carriers to enforce their interests is so high that they can impede the increase of their burdens beyond a certain level.

The harmonization of the EU proposal for a new pricing system would be very sharp even so that Mr. Loyola de Palacio emphasized That the proposal only refers to differentiation and not to the increase of burdens.