

EV5V-CT94-378 - PECO

**THE HUNGARIAN TRANSPORT SECTOR AND THE
ENVIRONMENT**

**SUMMARY FINAL REPORT; complementing main report of
EV5V-CT92-0378**

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I. OBJECTIVES

The project aim was to incorporate environmental aspects into the evaluation and possible formation of the Hungarian traffic policy.

The specific feature was to present why a Central and Eastern European Country in transition, with relatively environmentally friendly transport structure, is changing its inherited advantages of opt for a transport pattern characteristic of the consumerist societies.

One aim was to point out that a cost allocation which does count with external costs can make railway and public transportation competitive with road traffic. It was also the intention to prove that the development of an environmentally friendly traffic system might result in achieving many-sided economic and social improvements and gains as well and serve modernisation of the country, so badly needed.

Moreover issues addressed in contract EV5V-CT 94-0378 for EU countries, i.e. the incorporation of the environmental dimension in (freight) transport, its legal and socio-political motivations and aspects, were focused on.

II. METHODOLOGY

The methodology used was quite conventional :

- reading professional literature
- collecting data
- using statistical surveys
- interviewing some key experts in the state administration and in the main transportation directorates. (The leader of this programme had spent some time in state administration and one of the key authors is still working as Government official, so the project had experience both from the field of research and administration).

It was a central methodological issue to decide on what kind of environmental requirements should have been set for the transport sector :

- Charting out a “universal sustainable mobility” model and relating Hungarian development to it;
- Accepting that Hungarian transport policy was copying Western versions (as was also the case in economic and social policies, life-styles, etc.) and demanding a limited greening of transport policy within this context;
- Trying to preserve the still as yet environmentally friendly modal split of the Hungarian transport sector and evaluating every step of the official transport policy and legislation using this background.

The first approach would have been very theoretical. Also, working out a thorough sustainable mobility model for Hungary far exceeded the scope and possibilities of this research. (In fact, a separate project would have been needed which first derived the Hungarian “environmental space” from global usage and emission quotas, then charted long term economic development scenarios in a sectoral split as well - including transport - and, at last, examined the substitution and trade off effects among different sectors and also within modes of transport).

In this research, the second and third criteria were used for evaluation and comparison. Integration of the environmental dimension in transport policy was partly evaluated against the standards set by the official transport policy. For policy evaluation, the third criterion was, first of all, applied because during the formation of transport policy there was a wider range of possibilities for action. In the meantime, for legislation and regulation the third criterion was applied because the scope of these activities was limited by the current transport policy.

III. MAIN RESULTS

Since the beginning of the systemic and economic transition in 1990 frightening developments have been taking place in the Hungarian transportation sector. Public transportation is declining and railways are atrophying (inter-urban road public transportation is not so much affected). At the same time, passenger car and road freight transportation are booming.

The main concern of the transport policy is to build up a national highway network. Although austerity measures do not cease to be on the Hungarian Government’s agenda since 1990 (e.g., in 1995 there was a 12% decline in real wages), substantial amount of public money is spent on the completion of the national highway system. Even the concept of Government backed concessionary highway construction was applied for the Győr-Hegyeshalom-Vienna and Budapest-Kecskemét-southern border highways. By the end of 1996 it turned out that the highway managing companies were free to impose high prices (because their eventual loss is covered by the Government) but the public was not ready to pay these prices. As a result, massive protests and discontent emerged.

A “traditional” view of owing economic take off and regional development to highway networks, the pressure of the road building lobbies (so much the Hungarian and the foreign ones), the influence of strong grouping of road hauliers, foreign interests to use Hungary as a transit highway towards the Balkans, Greece and the Near and Middle East, as well as towards the Ukraine and Russia and poor local councils selling land to road builders are the main reasons of these developments.

The decline of the railways is mainly caused by the collapse of the Eastern trade (i.e. with Russia) which implied an enormous amount of bulky products. Earlier railway passenger transport was subsidised by the lucrative freight transport. By now both are making losses. There are only shy attempts to try to divert the huge transit freight transport (causing enormous environmental and other losses) to combined transportation.

A removal of state support was one of the characteristics of the economic transition and systemic changes. This affected very seriously public transportation which was also declining.

The role of the international financial institutions was very negative in these developments. The World Bank explicitly advised closing up railway services and networks. The EBRD, the World Bank and the EIB were competing to finance highway constructions in Hungary. None of them was trying to save railways, and - it is also true - the Hungarian Government did not ask them to do so.

Government policy favours passenger car use and road transportation. This is reflected in the relative price increases as well. Against a background of 4,5- fold general inflation since 1990, fuel prices and other costs related to road transport increased less, while fares of railways and public transportation reached the level of general inflation.

The National Transportation Conception (elaborated by the Ministry of Transportation) pays lipservice to the environmental aspects of the development of transportation, but in reality everything is done contrary to them.

In recent years the legal regulation of transportation concerning the environment has considerably improved. In general, it may be established that technical and environmental regulations relating to transportation can be considered up-to-date at the present stage of Hungary’s socio-economic development. Standards concerning exhaust and noise emissions of new motor vehicles comply with the EU regulations. The legal conditions for enforcement are not bad.

However, the capacity of enforcement is rather low. Legal conditions for enforcement exist, but the financial devices necessary for the institutional framework and the appropriate infrastructure to enforce regulations and requirements are insufficient or completely absent. Besides, the low profile of environmental values and consciousness impede the full use of existing legal possibilities.

The Government is taking steps to encourage environmentally safer ways of transportation, such as the consolidation of the Hungarian Railways Inc., or the support of combined transportation, but its transportation policy in general favours road transport and it desperately wants to develop the country’s motorway network. Environmental impact assessment are only of subsidiary character after the political decision was made about the construction of the desired - generally environmentally unfriendly - transport infrastructure.

The attitude in favour of prevention or direct intervention cannot yet be considered universally accepted, especially as the economy is short of financial resources. Environmental protection has not become an integral part of the socio-economic processes. Due to institutional limits the Environmental Protection Act does not effectively govern the issue of guarantees and the practice of regulation follows earlier patterns in many respects.

Another reasonable criticism concerning the legal framework of environmental protection in transportation is that regulation is dominated by the lower-level governmental decrees instead of laws. This leads to uncertainty on the one hand, but on the other, it refers to the current value of the interest protected. Though the basic laws have been passed or will be passed in the future, a break-through has not been made in this respect. This is because environmental issues do not become integrated into other rule-governed spheres, such as the economy. Rather, they stand aside by themselves, deprived of context, or, at most, as parallel interest.

Public attitude and values call for a western-like transport sector in Hungary. The incorporation of radical green criteria in the transport sector is not being considered, and enforcement is poor. Still, legislation is relatively environment-friendly. How can this be explained? The answer concerns ambiguity towards environmental

issues, a characteristic not only of the Hungarian public but also of other countries' citizens. People would like to have a healthy environment but they are not inclined to change their life-styles, wanting consumption habits and permanent use of cars. In countries of transition, before "sacrificing" anything, the public would first like to reach western standards of consumption. As a result, legislation is relatively progressive, but its realisation and enforcement are poor.

Some conclusions and recommendations

Regarding legal regulation, the research concluded that the general framework of environmental legislation was quite positive but the system of supportive decrees and regulations was incomplete, therefore implementation suffered major cutbacks. This was partly a problem of legislation, but more connected with the insufficient level of environmental awareness (both of the society and competent politicians). Liability for environmental damage was especially weak, its legal background was almost missing. In the sphere of the transport sector major structural and conceptual reforms should have taken place. The Road Fund should serve as the National Transportation Fund, redistributing revenues (i.e. charges on the negative externalities) from the environmentally unfriendly modes of traffic to the environmentally friendly ones. Liabilities caused by transport should also have been covered by the Fund. Heavy transit traffic should have been charged on the scale of the environmental damage caused. There should be the major resources for a railway reform and the development of the combined transport. The streamlining of the public transportation and railways cannot be postponed either. The fact that the Hungarian Railways are provided a yearly subsidy of 25-30 bn Forints without any significant criteria, is the survival of the "soft budget constraint" phenomenon from the times of economy of shortage. The research proved that an environmentally friendly traffic structure could contribute to the improvement of macro-economic conditions and economic development. Railways and public transportation help the modernisation of the country.

IV. SCIENTIFIC INTEREST AND POLICY RELEVANCE

Scientific interest and novelty

While the EU participants of this project focused on the incorporation of environmental criteria in transportation policy, the task for Hungary was different. The team tried to explain, why the shift from a relatively environmentally friendly traffic pattern to one, which is characteristic of the consumerist societies has been taking place. The trend compared to the earlier socialist periods has definitely been pointing towards environmental unfriendliness.

The scientific novelty of this research has been the identification of the motives of this development.

Policy relevance

Some basic policy conclusions can be drawn as well :

- decision-makers lack basic information on the negative external effects of road traffic and transportation;
- leading politicians related to developments in the west without any critical view; it is in the same way that the Hungarian Government is relying upon the advice of the international financial institutions;
- the lobbies of road hauliers and road builders, as well as of car manufacturers are extremely powerful in the Hungarian decision making processes relating to transportation;
- railways and public transportation in a way are associated in the minds of the people as remnants of a failed political system.