

# We hope for a sensible government with a sufficient mandate and a long-term transport vision

Jakub Klimkiewicz interviews Dr. János Berényi, Ph. D. Chairman and CEO of HUNGRAIL Magyar Vasúti Egyesülés/Hungarian Rail Association

## The situation of the railway sector in Hungary A.D. 2009 – is it good or is it bad?

The situation is bad. Firstly, government officials and the ruling socialist and liberal politicians regularly make negative statements about the railways. The main political objective is to “reduce the support the railway sector receives from the central budget”. Consequently, the direction is to “reduce railways”, rather than to develop the sector. Furthermore, the government refuses to recognize its obligations to finance the operation and facilitate the development of railway infrastructure. Anti-climate-change/sustainability arguments are not among the vocabulary used when discussing transport politics either – concerns are focused on giving the road sector a greater role.

## I guess you have several comments regarding the efficiency of Hungarian transport policy in terms of building of an efficient railway system?

There is no such thing as “an efficient Hungarian transport policy” (as a matter of fact, there is no coherent national transport policy

in Hungary at all). Transport-related political decisions are determined by two factors: fiscal considerations and the influence of some specific interest groups. The creation of an efficient, integrated, forward-reaching and sustainable transport system to satisfy the requirements of passengers, goods forwarders and transit needs stemming from Hungary’s geographic position, and environmental considerations is so far absent. It will be one of the many internal concerns of the new government.

## What is your opinion on transferring the tasks of the Hungarian Rail Office to the National Transport Authority?

Organizational structures do not guarantee efficient operation. The regulatory body’s functions could equally efficiently be exercised through the NTA.

## In February HUNGRAIL made an appeal calling for the prevention of circumstantial discrimination that constrains railway growth. The appeal focused mostly on the poor financing scheme for

## railway infrastructure and the favouring of roads in the transport policy targets. What needs to be done?

Hungary should stop giving away its motorways (and the public road network) for free. The largest investment of the Hungarian taxpayer since the transition from socialism has been the development of the truly first-class quality motorway system of the country, which may however be used for literally nominal fees. A four/five axle 40/50t lorry can cross the country for the flat fee of EUR 12.50, translating into as much as 24,000 tonne/kms! Meanwhile, the damage caused to the network is worth several hundred euros. Consequently, a usage based road tolling system should be introduced with gradually increasing fees – first on the network of motorways, and later – on all other public roads, where 10+t axle HGVs are permitted to travel.

In parallel, overdue maintenance on the railway infrastructure (resulting in speed and/or axle weight limitations on 40% of the network) should be carried out as soon as possible, while critical bottlenecks should also be removed from the railway infrastructure to permit greater freight service quality.

Finally, the state should guarantee that Hungary’s track access fees, one of the highest in Europe, should not be increased beyond the rate of inflation for the foreseeable future.

**How big is the Hungarian railway freight market in terms of private operators?**

5-6 private freight railway companies are truly active in the market (besides MÁV Cargo and GYSEV), the remaining 15 permit holders are mostly inactive, or just satisfy their own in-house needs. The 5-6 active companies, most with at least partial foreign ownership, account for less than 20-25% of the tonnes transported on the Hungarian railway network.

**MAV Cargo seems to be doing fine after the process of its acquisition by RCA was completed. What is your opinion about this company?**

I must explain that it is not HUNGRAIL policy to comment on particular member companies.

**Hungarian state-owned railways MAV denied the recent information that it is close to bankruptcy and does not have funds to continue operations next year. What is the situation?**

MÁV is an UNLIMITED liability company owned by the Hungarian state, therefore the entire Hungarian budget stands behind it, meaning that it can only go bankrupt if the state goes bankrupt.

**EBRD is considering granting a loan of between EUR 100m to EUR 200m to the railways, if it undergoes a restructuring process. What is the scale of necessary restructuring? Where can the EUR 200m be used?**

The current structure of railways in Hungary is (largely) in line with European legislation, therefore only minor adjustments would be necessary. The structure in itself is not the obstacle to efficient operations.

Firstly a coherent national transport policy would be needed, secondly a professional management should be appointed with a mandate in line with EU Directive 91/440, and thirdly – the historic debt of the company should be assumed by the state together with several historic social obligations. In this case the EUR 200 million in EBRD funds should be enough to make up for all the overdue maintenance work, and to restore the infrastructure to a level capable of supporting a satisfactory operational service quality.

60% of annual track access fee revenues paid by MÁV-START translate into a substantial reduction of the number of passenger trains, but also the financing of railway infrastructure operations

**The government plans to cut its subsidy for the debt-ridden railway company to 1.0% of GDP from the current 1.3% in the following three years. In practice this**

**means that MÁV would receive HUF 40 billion less from the state in 2010 than this year. How might that affect the processes at MAV?**

Correctly stating “the government wishes to reduce budgetary outlays for public transport to 1% of GDP”, which results in the reduction of HUF 40 billion (or EUR 143 million) to be allocated to passenger railway services. Since 60% of annual track access fee revenues are paid by passenger railway services (MÁV-START), this translates into a need not only to substantially reduce the number of passenger trains, but also the financing of railway infrastructure operations. Since the intended cuts are not the result of a coherent national transport policy (but are motivated by fiscal saving intentions, as well as bowing to the pressure of the bus lobby), this cut only means that MÁV will have to take on more debt.

**Hungary is implementing a reform of passenger bus and rail transport services. What is the expected result of this process? What should the mutual relation between MAV Start and Volan be?**

The current ongoing changes do not form part of any coherent (sustainable) national transport concept, but are motivated by fiscal saving intentions, as well as bowing to the pressure of the bus lobby, nothing constructive is expected to result from it. We can only hope that a sensible government (to replace the current one in the spring of 2010) with a sufficient mandate and a long-term transport vision will be able to reverse whatever destructive results these actions will have.

**MAV seems to face a permanent strike threat from VDSzSz? What is the real situation between the Hungarian Railways and the trade unions?**

The leaders of the largest railway trade unions have remained unchanged for decades

now; they double as the heads of national union associations also have sat on MÁV's Supervisory Board for the same long period. They are better informed about several issues than the incumbent management, which gives a great leverage in collective bargaining. MÁV's collective agreement has exceeded Hungarian economic realities in several aspects, which will have to be changed in the coming years. The management of MÁV, together with the government, will have to employ skilful communication and negotiating techniques to achieve this goal during the next period.

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**Where do you see the Hungarian railway market 10 years from now? Will the problems we discussed have been solved?**

Since most of the problems of the railway sector can be solved by politicians, namely someone with strong confidence in the role railways could play in making Hungary a better, more successful and viable country, I can only express my optimism that a new parliament and government can bring about the necessary changes to resolve these problems, and place the Hungarian railway sector on the track to the recovery and growth that it deserves. |

