



Budapest Transport Ltd.



The relationship between Budapest Transport Ltd. and the city authority in Budapest

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Legislative background in Hungary (1)

- **1191/69/EEC Regulation**
For us: in force since 1st May, 2004
- **New Act on bus transport, April, 2004**
 - Regulated market. Concluding a contract is compulsory in road-based PT („competition for the market”)
 - The ordering authority must pay the costs not covered by the fare revenues.

Legislative background in Hungary (2)

- **Modified Act on rail transport, April, 2004**
 - Contracts to be concluded with the operators
 - Agreement on the timetables before concluding the contract.
 - The ordering authority must pay the costs not covered by the fare revenues.
- **New Act on rail transport, under discussion**
 - Suburban railways:
 - Local railways
from legal point of view - No change.
 - New: costs would be paid proportionately by the State and the Municipality.

Legislative background in Hungary (3)

- Act on price determination, 1990
- Act on social subsidies to consumers' prices, 2003 (students, pensioners)
- Act on the budget of Hungary, each year, including:
 - Decentralised budget for the municipalities,
 - Normative support for the local public transport (before 1996, and since 2004 again).
- A new, single Act on passenger transport: not on the agenda.

General information

- **Hungary**
 - 2-level public administration, without real regions
 - “Mosaic” legislation
 - Municipalities with lack of funding
- **Budapest**
 - Metropolis with 23+1 municipalities
 - Dense, multimodal network
 - Still 60 % modal split for PT,
 - One big operator,
 - with a good PT performance in quantity and quality in international comparison as well.
 - ... and with an aging fleet and infrastructure



Budapest Transport Ltd. /BKV/

- Operating metro, tram, suburban rail, bus, trolleybus lines.
- Serving a population of 2 million in Budapest and its agglomeration.
- 1.4 billion passengers/year.
- Our cost efficiency:
BKV Ltd. had the lowest costs/vehicle-km and passenger-km performances among some (German, Italian, Swedish, Portuguese) operators studied in an international project (based on data from 2000).

New Service Contract in Budapest

- Between the Municipality of Budapest and BKV Ltd, signed on 30 April, 2004
- Validity: 8 years
- A stipulated service quantity and an appropriate compensation of costs.
- A bonus-malus scheme motivating quality.
- Losses were not compensated in practice, Budapest Transport Ltd. is forced to borrow loans

The twofold character of the city authority (1)



Municipality of Budapest

8-year
Service Contract



100 % ownership



Budapest Transport Limited

The twofold character of the city authority (2)

- The city as **the owner of the PT company** is interested in:
 - Preserving or even raising the assets of Budapest Transport Ltd.
 - Increasing income
 - Minimizing outgoings
 - Effective management
 - An auspicious rate of return on investments
- The city as **the ordering authority** is interested in:
 - Building a livable city
 - Assuring seamless and safe transport
 - Achieving high quality service
 - Keeping the modal split
 - Spectacular investments which can be communicated
 - Accomplishment of the expected service demand
 - Effective utilization of spare resources

The twofold character of the city authority (3)

- The conditions to achieve the above mentioned goals are not fully ensured by the Municipality. I.e. the city authority is of a twofold character, with slightly contradictory interests.
- So far the system has been under-financed, where a new entry to the market has been unlikely.
- The limited budget of the ordering authority may result in a reduction of service quality.

Investments

To improve traffic in Budapest in the next years HUF 300 billion will be invested, provided partly by the state budget and partly by the Municipality of Budapest.

Already started investments:

- reconstruction of the East-West (M2) underground ⇒ 2003-2007
- procurement of 50 low-floor-frame articulated VOLVO buses
- replacement of the tram fleet along „Nagykörút” (Great Boulevard) 2005-2006
- DBR (M4) underground line
- maintenance and improvement of rolling stock (Tátra trams)



**Thank you for your
attention!**