Concept for Restructuring the Institutional System of Budapest Transport

Approved by the General Assembly of the Municipality of Budapest on the 27th of October, 2010
Concept for Restructuring the Institutional System of Budapest Transport

Approved by the General Assembly of the Municipality of Budapest on the 27th of October, 2010

1. Introduction

In accordance with the action plan presented within the Budapest Capital of the Nation Program and with the involvement of experts, the new government of the Capital has developed the concept for the reorganization of the institutional system of the Budapest transport sector. While preparing the proposal, we examined extensively the institutional framework and practical experiences of numerous transport organizations in major European cities (e.g. Transport for London, AB Stockholms Lokaltrafik, Berliner Verkehrsbetriebe, Warsaw – ZTM, Prague – ROPID etc.). The Budapest concept was prepared incorporating international best practices, meanwhile keeping the question of adaptability within the local administrative and governmental system in careful consideration. In this paper, our goal is to introduce the reasoning behind the planned restructuring of the institutional system of Budapest transport (encompassing current needs, our aims and the primary professional concepts), as well as the organisational and operational model thereof.

2. Present operational issues, the demand for institutional development

The vehicle stock and infrastructure of Budapest transport fall far behind in both European and regional comparison – as opposed to ticket prices. Transport in Budapest is in need of substantial reformation - routine operation is hindered by critical problems on a daily basis, which demands immediate resolution.

The core issue behind the current situation is the lack of concept and vision, which is demonstrated by the following factors:

- **There is no long-term strategy** for transport to build upon. The Development Plan of the Budapest Transport System, accepted in 2001 and reevaluated in 2008, was meant to act as such, but was not able to become a foundation for day-to-day decisions, as these are made arbitrarily, serving momentary interests.

- **The lack of a systematic approach, as well as the island-like operation and developmental policies of the different sectors is typical**, as is the fragmented management of public transport and road transport tasks.

- **Professionally prepared transport development projects are few and far between**; implementation and the proper utilization, drawdown of EU funding are behind schedule, and, in some cases, noticeable cost overruns occur.

- **Operation** is most often a race against time, aiming for nothing beyond short-term survival.

- **A multi-decade lag** is noticeable in the quality of the infrastructure and management of both public and road transport. Immediate intervention is necessary in order preserve operational safety.
The current situation is exacerbated by severe functional and financial problems, indicated by the following issues:

- **The funding** of transport operation and infrastructure (vehicles, public road network, track network, etc.) is uncertain even on the short term, is inconsistent in context of the system as a whole, and regulation is disjointed at best.

- The entire system is encumbered by arbitrary political decisions driven by short-term interests and the lack of any ambition to maintain long-term stable operation, resulting in inadequate concepts and an inability to develop.

- **Lack of real owner’s control over BKV Zrt., FKF Zrt., Parking Kft. and Taxi Management Kft.** The debt of BKV is increasing incessantly, and has reached a critical point at which it endangers Budapest's borrowing ability. This lack of owner supervision is a hotbed for corruption.

- **Everyday services and operations lack a customer oriented approach**, making it exceedingly difficult for the City to influence the mode selection of the population. As a result, it cannot further the improvement of the capital’s air quality, support the growth of its economical competitiveness or increase the sustainability of the transport system.

A significant portion of these critical problems are caused by institutional and regulatory anomalies:

- There is no congruence between city development and transport development, neither from an institutional, nor a procedural point of view.

- The institutional structure is obsolete and has remained unaltered during the course of the past decades. **Responsibilities are unclear, the lines between the public service procurer’s, operator’s and owner’s duties are blurred.**

- No one is accountable for the effectiveness of transport policies, the fulfillment of strategic aims or the resolution of everyday issues, **obligations and duties are unclear** – the pointing of fingers has become ever more frequent between capital-governed organizations.

- Funding and coordination of the day-to-day operation of the transport system has fallen victim to prestige investments (especially the subway 4 project).

- **Real supervision is missing**, there is not enough control over the transport arms of neither BKV, nor FKF, and thus, it is impossible for the Capital to implement the city policy principles.

- **Also missing are independent planning competences and capacities**, which could ensure an active role in the preparation of the capital’s transport strategy - or at least, provide a straightforward process to facilitate, for example, a simple change in road markings.

- The coordination of suburban transport is incidental, as stakeholders’ interests collide.

- **There is no adequate framework in place for unified transport policy communication with external partners** - whether concerning district governments, regional organisations, other key partners (e.g. MAV, Budapest Airport etc) or non-governmental organizations. It can be be concluded that it is imperative to steer the further development of the institutional system in such a direction which can provide real answers to the problems presented, as well as handle strategic development and the operational, functional duties of the entire transport sector systematically and uniformly.
3. The Aim and Professional Concept of Establishing the Centre for Budapest Transport

Transport is one of the main areas of city policy, as the quality of transportation has a significant impact on Budapest’s competitiveness, liveability and operability. In order to remove the anomalies, transport issues require system-level management. Transport comprises an integrated system from community transport to public road transport through cycling, from road management to large investments. The system’s integration and operational efficiency cannot be substantially improved without completely restructuring the institutional system - a clear definition of powers and duties, accountability and competence are all indispensable. Another equally important success factor is the establishment of a single, uniform, regional approach to the development of transport. This must be environmentally sustainable, and should incorporate new knowledge elements into the capital’s existing practices, by setting up the necessary networks and information channels.

Making the aforementioned plans a reality requires the consolidation and integrated management of transportation duties – laying down a professional foundation could secure reaching desired targets, as defined by the development paths of the previously mentioned European cities. The organisational structure of transport has gradually transformed in international practice during the past decades. In the course of this evolution, a new intermediate level appeared between local governments and service providers: the transport-organising public procurer organization operating on professional foundations, which ensures the integrated management of transport and the disambiguation of owner and operator roles. The time has come when establishing a similar organisation becomes a cardinal issue for Budapest. Recognizing this fact, we make the following proposal:

The BKK Centre for Budapest Transport Zrt. (hereinafter referred to as BKK) is a cohesive organisation acting on professional foundations, which

- is a direct subordinate of the Municipality of the Capital, and is owned 100% by the Municipality of Budapest,
- prepares and implements the Budapest transport strategy,
- incorporates sustainability and equality considerations in the operation and development of transport in Budapest,
- integrates the management and supervision of the Budapest transport sectors, particularly in public and road transport,
- orders and finances the public services of public and road transport,
- improves urban transport,
- supports, enables and assists the proliferation of pedestrian and bicycle transport,
- creates a balance between the development and operation of the transport system,
- operates a standard financing scheme,
- supervises the public and road transport service companies owned by the capital,
- co-ordinates all investments which involve public and road transport, including those undertaken by local governments or public utilities,
- plays an active role in regional transport cooperation.
Strategy development, public service procurement, controlling, financing, infrastructure development and (in part) operation, currently disconnected and operating in isolation, will gradually be integrated into BKK’s own organisation, starting from the very moment of its establishment. BKK’s operation integrates the following duties (currently pertaining to various institutions):

- transport management and development tasks, excluding only magisterial duties - from the Office of the Mayor’s Transport Unit,
- duties related to network and transport service planning and management, ordering, sales, ticketing, traffic management, marketing, monitoring and major transport development projects - from BKV Zrt.
- all duties related to road management, incl. traffic lights, ordering, and control – from FKF Zrt.
- all responsibilities of Parking Kft.,
- all responsibilities of Taxi Management Kft.

A transport organisation unit with a low headcount will remain within in the organisation of the Mayor’s Office to exercise magisterial and coordinating duties, but the transport and project management tasks, which can be carried out more efficiently outside the Office, will be taken over by BKK Zrt.

BKV Zrt. will be reduced to a service-operator company, with the sole task of providing public services ordered by BKK Zrt. according to public service contracts and maintaining infrastructure.

The public road management and maintenance areas will be organisationally separated from the current FKF Zrt., going into the ownership and under the control of BKK, while FKF Zrt. will continue to see to the sanitation and waste management functions. The road management and maintenance company will only carry out the operation-related duties of road management and maintenance.

Parking Kft.’s, strategy development, parking organisation and operation, and project implementation functions will also gradually melt into BKK, similarly to the taxi station operating duties, which are currently the responsibility of a separate company.

Apart from allocating transport-organising duties, the establishment of BKK Zrt. will also provide an opportunity for efficient financial resource allocation and control, to ensure that the revenues of the road transport are transferable to other transport sectors suffering a shortage of funding. The entirety of transport sector revenue appears at BKK (see No. 1. Fig.).
The uniform transport budget centralises the revenues and subsidies at the BKK
The BKK compensates the costs of public services

![Diagram of planned revenues of BKK Centre for Budapest Transport Zrt.]

**Figure 1.: Planned revenues of BKK Centre for Budapest Transport Zrt.**

The establishment of BKK aims to establish a uniform transport budget, which recycles the revenues from parking and future congestion charges into public transport and the sustainment of the transport system. This also implies that BKK bears all revenue risks related to transport services, as well as assuming the problematic issues of public transport funding, the compensation of financing public services and the resulting losses. Thus, the constant funding obligations of the state and the city, currently linked to the financing of BKV Zrt. will now be attributed to BKK. However, thanks to more efficient operation and the revenues derived from road transport, the amount of funding necessary is expected to decrease somewhat. The establishment of BKK will not cause the system-level staffing and operational costs to increase, as the primary goal is the efficient and integrated use of resources.

As for the capital’s housing and regional development policy: the incorporation of transport considerations during real estate development is necessary in order to prevent, for example, the construction of a shopping center or residential park without adequate transport links.

It is particularly important to take a uniform professional approach to European Union development projects, serving the capital’s best interests. Consistency with transport development strategy must be ensured continually. Many significant development projects are anticipated in the capital, for example pertaining to the tram and suburban train network. Some of which are in the implementation, others in the planning/preparation stage (e.g. tram 1 and 3, the Buda interweaving tram, aside other tram projects, suburban train and subway developments, traffic management, control and passenger information system investments, bus lanes). BKK Zrt. must be capable of managing these projects adequately.
BKK should be able to utilize the largest possible amount of EU funding for the city, using this money to develop transport in an efficient and sustainable way. In order for BKV Zrt. to renovate its vehicle stock and infrastructure, it is essential to access all available EU funds successfully. **With the establishment of BKK, these investments will finally have a real owner** - an organisation with high level transport expertise will be available which is able to carry out the investments on time and within budget.

Another essential element to BKK’s operation is the ability to promote **social and civil participation**, cooperating effectively with civil organizations in the best interest of the capital.

BKK could carry out the majority of its functions within the existing legal framework; however **the amendment of sector laws is required to ensure full and dynamic operation**. The recommended new legislation has been drafted, while the amendment of the road transport law and the law regarding passenger-transport (to be developed by 2011 according to Government plans), will supplement the currently lacking conditions.

### 4. Duties of the Centre for Budapest Transport

Within the institutional model, BKK is located between the local government and transport providers and operators. Basically, strategic, developmental, management, ordering, control functions are integrated into the organization, in case of both public and road transport:

**Duties related to integrated urban transport management and transport strategy development**

- managing the municipal transport sector at an urban level, in an accountable, responsible and professional way, including regional coordination,
- preparation, updating, consultation and timely implementation of metropolitan transportation development strategy and concepts,

**Transport development, investment projects:**

- preparation, planning, ROI analysis and civil transaction of development projects,
- management of implementation, coordination and attending to beneficiary duties of major projects and other EU funded projects.

**Public transport related duties:**

- planning and organising network and services,
- planning and developing tariff concepts,
- attending to public service procurer duties, managing public service contracts, operating controlling and monitoring systems,
- setting and monitoring service level agreements related to public transport,
- attending to customer service duties,
• manufacturing, selling and monitoring tickets and passes,
• attending to integrated passenger information duties,
• unified, Budapest-centric traffic control within public transport,
• attending to duties related to river navigation,
• cooperation with regional members.

**Road-transport related duties:**

• preparation of road traffic management, control and development concepts, developing an optimal traffic management system,
• preparation of a traffic order for public areas considering pedestrian and bicycle interests,
• organising and coordinating road reconstruction, construction works, organising closing works,
• preparation and development of concepts for intelligent transport systems, operating intelligent transport management,
• attending to road management duties on major roads owned by the Municipality,
• road management of Budapest roads,
• carrying out uniform traffic control duties,
• supervision of taxi transport, unified managing of the numerous related unsolved problems,
• operating taxi stations,
• unified control of bicycle traffic development in the capital,
• preparing parking strategy and developing an operational concept,
• ordering, operating, controlling and operational supervising of a public service pay parking system,
• attending to duties related to heavy traffic charges, preparing future congestion charging concept.

**Relations, cooperative duties:**

• regular contact with the National Transport Authority regarding the issues affecting the Capital,
• communication with jurisdictional European Union support organizations (e.g. National Developmental Agency, KIKSZ),
• communication with jurisdictional European Union organizations (European Committe, JASPERS, EIB, etc.)
• understanding and representing the regional aspects next to the capital ones regarding EU development projects,
• cooperation with regional transport operators (e.g. the Ministry of National Development, BKSZ and suburban governments),
• communication with MAV, Volan companies and the National Infrastructure Development Corporation, representing the capital's interest during the rehabilitation of Budapest railway stations and the development of suburban rail connections,

• communication with utility providers within the capital,

• communication with providers not owned by the capital, but providing service within the capital,

• representing Budapest in Hungarian and international professional transport organisations and conferences.

5. Timeline for the Establishment of BKK

The aim of city administration is to establish the centre for transport as a corporate entity by 2010. Project work is to commence immediately, with the participation of the emerging – nascent – BKK apparatus and the affected organisations, and for BKK to begin its normal operation after a transitional period in the second half of 2011, attending to all of its allocated duties. The establishment of the centre for transport is a multifarious endeavor, due to the complexity of the transport system and the significant number of players involved.

Consequently, a serious and detailed plan of the necessary preparatory work is indispensable before the centre for transport reaches full functionality. A number of factors must be considered while setting up the foundations of the centre for transport

• the organization must be organized without interrupting the carrying out of the duties of those companies undergoing transformation, ensuring continuity,

• besides planning the operation of the transport centre in detail, the organizations concerned must also be transformed.

A dedicated multi-level project unit will be set up to handle preparatory duties relating to the companies involved in the transformation. This project unit will operate on a detailed task and time schedule, working on the formation of BKK’s organization and its operational processes, the transformation of the affected companies, together with establishing the operational framework of the BKK by the end of 2011.

Overall, the concept of the Centre for Budapest Transport wishes to address the problems present in Budapest’s transport and seeks to ensure system-level, integrated and sustainable operation within the capital’s transport system and the development thereof, while also playing an active role in regional cooperation.