



SUMMARY

of the Audit on the Effectiveness of the Measures Aimed at the Renovation, Repair and Maintenance of State-Owned Public Roads and on the Effect of These Measures on the Condition of State-Owned Public Roads (1291)

Objectives and scope of the audit

In our audit, we assessed whether the organisations involved in the performance and execution of tasks ensured the appropriate planning and execution of renovation and repair of national, state-owned public roads (other than expressways). It was also audited, whether the utilisation of EU and national resources for the maintenance of public roads and bridges was economic and effective; and whether there was any audit to check the compliance of renovation and repair works with technical requirements, as well as the regularity of financial accounts.

The condition of state-owned public roads, planning for the repair thereof

In the audited period (from 2006 to the first half of 2011), 3,794 km of roads were renovated or pavements reinforced. It resulted in a slight improvement in the general condition of state-owned public roads which is still below the required standard, with certain indicators having worsened. In the audited period, priority was given to the development of the expressway network. The main transport concepts did not attach appropriate importance to the renovation of the road network other than expressways. The length of roads renovated was less than necessary. Renovation cycle time was around 35 years instead of the 10 years generally accepted in the industry. The length of road sections with speed limit due to road defects increased by nearly 10%, and 166-320 thousand potholes (road defects) were registered each year. As a consequence, the loss of state property continued. The order of renovations financed by national and EU resources was planned on the basis of the itemized list related to renovations in the National Road and Bridge Renovation Programme 2009-2020 (NRBRP). The NRBRP is a professional study prepared according to technical, economic and efficiency aspects. At the same time, no detailed financial plans were attached to the NRBRP professional analyses, and the information of the OKA2000 (National Data Bank on Public Roads) used in calculations is not fully reliable. Given the deficiencies of the NRBRP in professional and financial terms, it will not be

submitted – and consequently accepted – as a professional programme. A government decision issued at the end of June 2011 assigned the task of preparing a programme for the renovation of the existing expressway network and main road network until 2020, without providing for the subsidiary road network of almost 23,000 km. For the renovation of the secondary road network to improve the accessibility of regions and settlements, a proposal was submitted by the Regional Development Councils.

Implementing and financing renovation works

The renovation and maintenance of public roads were covered by the Road Fund, EU resources and related domestic grants. From HUF 28 billion on average per year, 632 km of public roads were renovated against 2,500 km to be renovated each year. The aim of introducing the ‘Road Fund’ chapter-managed appropriation in 2006 was to finance the maintenance of the national public road network excluding expressways and to operate it in a transparent and verifiable manner. This appropriation, and more specifically the budgetary subsidy, decreased from 2006, but in particular from 2009, and was finally discontinued in 2012. From the amount of HUF 56 billion provided by the Regional Operational Programme, 1,090 km of secondary roads were renovated. In Hungary, the main road network makes up a total of 8,329 km. In order to enable roads to carry an axle weight of 115 kN due to heavy vehicles, upon EU accession Hungary agreed to reinforce 1,900 km of roads by 2008. The reinforcement of pavements, funded by the Transport Operational Programme, started in the audited period along 1,190 km and was completed along a section of 187 km, with an amount of HUF 51 billion invested. The condition of public roads has been continuously worsening as the length of road sections with pavement reinforced is well below the target. Most resources available in the Road Fund were spent on the construction of expressways, and renovations were financed on the basis of the residual principle.

The funding need and the effect of the lack of funds on the condition of public roads were regularly reported by professional organisations in charge of this task in their submissions, but they did not attach as much importance as necessary to the environmental, accident and health implications of bad road conditions. The introduction of electronic toll collection in proportion to road use, planned since 2004, would make it possible for our country to comply with the EU directive applicable to Member States. In the – audited – period elapsed since the government submission in 2007, no decision has been made on electronic toll collection. In the Széll Kálmán Plan, electronic tolling was scheduled to be introduced on 1 January 2013 but there was no appropriation for the implementation of that in the Act on the Budget of 2012. A Government Decision issued in May 2012 set forth the tasks to be implemented in 2012 in relation to

the introduction of the new toll collection system. Progressively increasing fees planned in the electronic tolling system may – for certain freight types – increase the competitiveness of environmentally friendly rail and water freight, which is expected to result in a shift toward these two freight transport modes.

Enforcement of economy and efficiency aspects

Due to the uncertainty of the annual budget of the Road Fund and to its slow allocation within the chapter, the list of feasible construction projects was usually drawn up by mid-year. Tendering and implementation of the renovation works were also delayed. For these reasons, there was always a substantial amount of committed funds remaining in the Road Fund. Renovation works necessarily took place in the autumn and winter, which are less suitable from a technological point of view, thus increasing the risk of quality problems in pavements repaired. The annual allocation available for renovation was used in part or in whole in the next year, which hindered the proper implementation of renovation projects financed from the Road Fund. Instead of efficiency aspects, the technology showing the highest output, i.e. the large surface pavement repair became the almost exclusive mode of renovation. As regards pothole patching, decisions were based on weather conditions rather than on economic considerations, and use was often made of less sustainable technologies (being therefore more expensive over the long term). Until 2010, tendering of contractors was conducted under an accelerated procedure due to the slowness of financial scheduling; in the same year, a two-step procedure based on a preliminary assessment was introduced. An important economic consideration would be the use of milled asphalt, as the reuse of nearly 180,000 tons of material available would result in savings, or if sold, a revenue of HUF 270-360 million. This opportunity was only partially seized due to the difficulties of planning renovation works.

Managing records

Decision-making was further complicated by the fact that the OKA2000 database was not fully reliable, and that renovation and maintenance tasks were not recorded in a standard, integrated information system but in non-transparent Excel tables and other recording systems maintained by executing bodies. Asset registration tasks pertaining to national state-owned public roads were performed by the Coordination Centre for Transport Development (CCTD) in accordance with decrees. However, the National Infrastructural Development Company, implementing value adding investments and certain renovations, transferred public road assets to be managed to the CCTD on only one occasion. In case of nearly HUF 56 billion of road assets, neither asset transfer nor depreciation accounting was performed, due to the disorderly nature of land registration.

Organisational background

From 2010, the ownership of the Hungarian Public Road (HPR) Nonprofit Private Limited Company in charge of operating and maintaining national state-owned public roads was transferred from the Ministry of National Development to the Hungarian Development Bank. Consequently, the Ministry was no longer able to represent public and professional interests within the Supervisory Board, but it did so jointly with the CCTD playing a coordinating role through regulation, as well as through the contracts concluded with the Hungarian Public Road Nonprofit Private Limited Company for performing tasks. The HPR's regional and county-wide system was characterised by problems regarding task sharing and overlapping; therefore the regional management level was abolished in 2010. To create a uniform system for road network development, the government decided in 2011 to consolidate the companies owned by the Hungarian Development Bank Private Limited Company (the National Infrastructure Developing Private Limited Company, the National Motorway Management Company, and the Hungarian Public Road Nonprofit Private Limited Company) in two steps.

Recommendations

We recommended the Minister of National Development to accelerate the process of allocating resources within the chapter and to establish rules of procedure making the use of resources more efficient. For the sake of more transparency, uniform management and substantiation of records, we suggested building up a standard, integrated system to record renovation and maintenance tasks, measuring the data on a systematic and scheduled basis and increasing the reliability of the OKA2000 database. Regarding the consolidation of organisations involved in the development and renovation of public roads, we recommended the Minister to ensure appropriate representation of interests of the national economy and industry in the newly established organisation, and to inform the government of the result of establishing the new system. With respect to economic considerations, we suggested working out the rules for the utilisation of demolished materials.