9

THE PRIVATIZATION OF URBAN SERVICES IN HUNGARY

Tamás Fleischer

Infrastructures: the background to privatization

Eastern Europe has always been characterized by radical changes of direction. Following World War II and the setting up of the Soviet satellite system, a number of developments, nationalization among them, occurred far more rapidly than in the West; and they were carried into effect unopposed since in the main they were linked to the dispossession of property-owners by way of a form of expropriation that had no legal basis whatsoever. Leaving the legal aspect to one side, by 1950 the so-called Eastern bloc countries, including Hungary, had all the appearance of state monopolies. It was this economic predominance of the state, given support by ideology and national policies, which enabled wages to be held down at a generally low level, thus obliging women to work, at first principally in the cities, and bringing about the two-wage family model. Simultaneously, the urban population rapidly became dependent on communal services.

In line with the idealogy of the time, low incomes were made up for by free municipal services - education and health, for instance - or by very low prices for transport and other services, rents included. The ideal of 'the state as provider', coming to the aid not merely of those in need (who are non-existent under socialism) but of all according to their needs through the instrument of prices, was a constant theme during the forty years socialism lasted, even though in Hungary the stability of prices and charges was not guaranteed over the last ten years, whereas elsewhere wages kept at some distance behind inflation. Eastern European countries thus moved into a phase of transition characterized by distortion of market prices and price structures.

In Eastern Europe economic theory centred on production to the neglect of public services. The ideal of 'the state as provider' did not imply a 'state providing services', and the development of public services was a low priority. The concept of 'the state as provider' was admirably suited to another ideology: the survival of a 'wartime economy' which required everything to be organized for production. Accordingly, a service was provided not for the individual as such but for the workforce as a whole, so that services could be guaranteed only where there were workers. The stock example here is provided by workers' hostels, built like a barracks to house the labour force from other regions, which was paid for and maintained by the employers. These may in some way be considered as 'urban' services but, in view of their exclusive nature and their highly specific purpose, hardly as 'public' services. The course of development over recent years highlights the problem. As production in several of the industries responsible for maintaining these hostels dropped, and with it the demand for unskilled labour, the premises became increasingly dilapidated, and were bought up and turned into a chain of cheap and unprofitable hotels.

If this example were applied to networks, it could be said that even if the official ideology and economic statistics tended to ignore services because of the priority given to industry, a number of infrastructural defects in relation to production were eventually put right. Certain networks whose absence impaired the overall efficiency of the system were created or, where they already existed, made good and extended.

Hence, the marginalization of public services prevented them developing in the way they might well have done, while some services that were directly linked to production, and that had the benefit of support within groups whose influence and bargaining position were strong, were improved and able to meet the needs in their sector. Given that such pressure groups also represented state property, they can hardy be described as 'private' services; yet their essence was clearly distinct from the principle of 'public services', which would have implied the inclusion of features detrimental to their functioning.

Political economy also determined the way in which town planning developed. With accelerating industrialization, the recruitment of rural labour took on a degree of importance, with migration into distant areas, construction of workers' hostels, as mentioned above, and a consequent growth in city population. At the same time, towns as opposed to villages tended to represent the 'controlling' function and 'industry', whereby they came to benefit from a preferential status in the system of redistribution. The redirection of revenue in favour of urban investment first favoured the capital, Budapest (as well as new mining communities and industrial towns built in the 1950s), before in the 1960s spreading to industry in general and to the regional capitals and, to a lesser extent, remaining towns at the start of the 1970s. In the context of services as previously described, the growth of some particular urban services was fairly exceptional. The higher standard of living in towns encouraged rural depopulation, while the concomitant growth in cities wiped out the advantages gained.

The technical level of urban services is directly attributable to these circumstances. In most cases infrastructure is a hundred years old, and what was once perfectly efficient has now become obsolete. Urban policies applied over the past forty years that were mindful of investment but neglected existing stock have largely brought about this result. Public services have not enjoyed increased investment unless this happened to coincide with specific industrial projects. But the basic network for supplying water and electricity and gas was a relatively satisfactory one.

At the close of the nineteenth century Hungary was among the countries that led in the development and application of electrical energy. Arc lamps were invented in the Ganz foundry in 1878; the first electricity power station was put into service in 1884 in Temesvár (now Timisoara in Romania) and in Mátészalka in 1888. The supply of electricity in Budapest was begun in 1893 almost at the same time as in other European cities. By the end of 1944 40 per cent of the country was being supplied. Electricity production was nationalized in 1948, and the sector was reorganized a number of times before MVM, the Hungarian electricity companies, were established in 1963; that year also saw the last village linked up to the network.

Before World War II, the public supply of gas depended on coal-fed plant built at the end of the last century. Gas became publicly owned well before electricity. During the second half of the nineteenth century, several gasworks were constructed to supply street lighting; at Pest in 1856, Szeged and Debrecen in 1864, Sopron in 1866 and Gyór in 1869; by the end of the century ten cities, including the capital, were so provided. Coal gas was used for cooking, heating and hot water. The Obuda gasworks, built in 1912–13, and that at Pécs, built in the 1930s, were technically advanced for their period.

Following nationalization in 1948, development was to an extent held back by reconstruction, but it accelerated in the 1960s as the reserves of natural gas (Zala) began to come into production; industry was the big customer, taking around 60 per cent. This growth went hand in hand with major structural changes in energy. Coal gas (produced locally) gave way to natural gas. The changeover began in Debrecen and Miskolc, where it had been completed by 1970.

Public urban transport development in Hungary also compares favourably with that in the West. Sewerage systems are of a good standard in urban areas, water supply slightly less so. The difference is very marked in rural areas. Central heating is fairly common in residential areas; obviously there is the matter of its not becoming too costly with the removal of energy subsidies. Telecommunications, even in urban areas, has been relatively underdeveloped. The housing stock, state and other, is clearly in poor shape.

There are considerable - often regional - differences in technical services which are not network-delivered, even as regards the way they are run. Examples include chimney-sweeping, funeral undertaking, swimming baths, green spaces, refuse collection and so on. At the same time, this type of activity seems to lend itself more readily to being privatized than the public services mentioned above.

The third phase of privatization is now complete.[1] The first phase took place before the political changes at the end of the 1980s. It was marked by its 'spontaneous' character and the interest shown by the West in the Hungarian economy. 'Spontaneous' here implies that initiatives were taken at company level and legally ratified afterwards. Legislation in regard to company and business changes was voted by Parliament in 1987 and 1988 to formalize ongoing practice, which began with a kind of restructuring of state enterprises into a group of companies nominally in the hands of partners and independently run. The transition enabled foreign capital to become available for investment in some of the new entities so as to enhance their market profile.

The second phase of privatization, between autumn 1990 and autumn 1992, was termed 'controlled'. The main instrument of privatization, AVÜ (Public Property Authority), was set up just before the 1990 elections in order to control, regulate and promote, under parliamentary supervision, the process of change towards privatization. The newly elected Parliament subsequently modified AVÜ's role so as to make it an important instrument in fighting spontaneous privatization. During this phase, irrespective of various public utterances, the whole process was analysed in terms of the increase in revenue obtained and, more particularly, of the degree of success attributable to the input of foreign capital. In fact, the revenue was not excessive. Privatization slowed down in the autumn of 1992 with increasing variance between supply and demand aspects. There was less foreign interest shown in Hungary, in part because of its position *vis-à-vis* its neighbours, in part because the bout of euphoria over Eastern Europe had worn off. The view of some market analysts was that the Hungarian economy had lost its attraction and its dominance, so investors switched their short-term attention to Poland, then, more hopefully, to the Czech economy. This period was further marked by privatization having to face internal pressure and increasing sniping.

The third phase is generally dated from August 1992 when a parliamentary bill on privatization became law. By its terms, AVRt (Company for the Administration of Hungarian State Assets) was set up to oversee and actively participate in the partial privatization of assets that had always belonged to the state. The Hungarian electricity companies (MVM Rt), Hungarian oil and gas company (MOL Rt) and the gas distribution companies were among the 160 firms selected. The Act aims to provide a framework for the long-term administration of strategic activities in which the government will retain shares. At the same time, AVÜ's role was modified to bring it into line with the new Act, so making it possible for privatization of selected companies to be carried out in the short term. AVRt was given three principal missions with regard to ownership of government shares in companies, improving company performance and company privatization.

This phase in privatization was marked by:

- political changes in the administration of national assets (there were detractors who accused the government of seeking to be rid of them entirely;

- a new strategy in privatization (scrutiny of state assets with a view to privatization and development of market conditions so as to launch new share issues);
- growing anomalies in the privatizing process. Declared priorities at the time were to change the structure of ownership by rapidly increasing the number of Hungarian shareowners and thereby to give a productive, entrepreneurial impetus to the economy. In the event, a form of privatization under state control seemed to emerge in opposition to spontaneous privatization. While the regulatory framework was put into place (with the law governing concessions and that mentioned above), the process slowed down, occupying itself successively with bigger cases - privatizing the food and agriculture industry, then Malev (Hungarian Airways) and later Matáv (Hungarian Telecommunications) - rather as if a bottleneck had appeared.

It is still too early to talk of a fourth phase, but there are several signs of difficulties ahead. The balancing act between AVÜ, AVRt and the ministries has given rise to controversy. Some suggest that AVRt is now redundant and should be replaced by one large holding company under state leadership. Government ministries have begun to oppose ownership transfer where some public utilities, in which they feel the state should continue to have a majority stake, are concerned. At the end of 1993, following an alteration in the relevant government decree, ownership of regional plant for providing water and sewerage was transferred from AVRt to the Ministry of Transport, Communication and Water Management.

A rapid glance back over the laborious process of recent privatization allows one to see that it has been accused of being too little and too controlled, too fast and too slow; but the real question was to know who actually did the controlling and handled the changes. The same period has seen a clear tendency emerging for the state to extend its control of the privatization process as well as of its own assets.

The privatization of urban services

Given that there are no immediately available statistics or data on the privatization of urban services in Hungary, what follows can be no more than a sketchy account of what is taking place. This section, while instancing individual cases, gives an overall account of various Hungarian localities. In conclusion, I shall try to draw the consequences of the experience thus far.

The 1990 Act on administrative autonomy was one of the first Acts to be passed by the new democratic Parliament, preceding the first free elections in autumn 1990. In general, it enabled a direct transfer of assets to be made from the former municipal councils to local independent administrations. But since for the most part these had only been assigned to the councils, the Act determined how they should be integrated as local assets. This is why privatization, in the restricted sense, required certain steps to be taken beforehand. The privatization of public utilities conformed to the following sequence:

- audit of each utility;
- transfer of ownership of the public firms (in the hands of the former councils) to the local administrators;
- transfer of these same administration-owned companies into joint-stock companies, with the entirety of shares owned by the said administrations; and
- market issue of some - and, in some cases, all - shares.

At the outset the situation in the capital differed from that in the nineteen rural departments (*comitats*). The special position of Budapest put it outside the general application of the Act, and a particular set of regulations was voted following the municipal election. In Budapest,[2] fourteen public utility[3] companies, employing 40,000 people, were placed under municipal authority. Audits were carried out during 1991, and the transfer of assets continued until the end of 1992.

Elsewhere the situation is less straightforward because utilities in general do not serve specific localities, thus making the transfer of ownership more complex. Levels of service varied greatly between regions. At first, every locality wanted ownership for itself, which meant splitting companies in a way that threatened their reasonable functioning. A portion of a network may be owned by a small village without the wherewithal (personnel or plant) to ensure its maintenance and efficiency. The experience was an apprenticeship in democracy and authority, and local communities had to learn this lesson before they saw the virtues of cooperation.

Public utility audits

The aim of a utility – to provide an efficient service – frequently has to take into account the social and economic context in which the company is assessed. The most serious problems encountered were the following: lack of any legislative or regulatory framework, of any overall environmental concept, and of a clear grasp of functions and tasks; lack of any coordination between functions and sources; constant and irrational changes in accounting and economic regulation; and chronic lack of certainty about the future.

Such an economic context has certainly shaped the way public utilities function. Firms had to operate in an economy of scarcity, hence they set up the necessary 'pre-service' requisites – building, vehicle maintenance, upkeep of green spaces, etc. – so as to be able to pursue their activities. The result was that, while endeavouring to optimize their basic services, they found themselves unable to develop 'consumer services'. The market held no interest for them since their method of functioning fell outside its mechanisms.

By way of example, each spring the management of the swimming pools in Budapest threatens the municipality with keeping some of its pools closed on the grounds that the resources at its disposal are inadequate for all of them to be kept open. Current practice is for the company to manage only the establishments, which are not profitable, while services used by the public – restaurants and cafés, sale of goods and so on – are franchised and do show profits. Most of these franchise-holders make their profit by virtue of the swimming pool functioning but from an activity that is secondary to that of the pool itself and the service it provides.

Strictly speaking, the financing of baths and accessory services should be linked. Such restructuring would be an ideal preliminary step towards privatization. However, it would entail assessment of each service rather than that of the different firms involved. But it is also true that the past few years have seen big improvements in consumer services, with the Budapest baths management directing its investment, possibly beyond its means, towards setting up a hydrotherapy establishment.

Each company's audit has provided evidence that the following priorities must be ensured before ownership ties are transferred:

- reasonable certainty of continuity and smooth functioning of the principal activity;

- awareness of the environment on the part of the decision-making and regulatory bodies;
- importance of social factors: some public utility firms are subsidiaries of major employers;
- heed given to long-term factors, implying that the transfer of assets should be carried out with appropriate circumspection.

Some companies encountered particular problems when the service enjoyed a (natural) monopoly position: water, for instance, sewerage or electricity and to a certain extent gas, heating, and telephones; or when the only customer was the local administrative body in a monopoly position, for example street-cleaning, refuse disposal or upkeep of green spaces. In the latter instance it is indispensable to look closely at the benefits that could be had if the legal form of the company belonging to the municipality were modified and examine whether the charges provided for are proportional to the cost of transformation.

The transfer of state enterprise assets and the formation of companies belonging to local administrations

In Budapest the transfer of assets was spread out over a fairly long period and completed, more or less successfully, in the course of 1992. In the previous two years the local government obstructed attempts to convert two or three companies after their managers had put forward different schemes for speeding up the process.

A report that drew on the evidence available was presented to the assembly of the Budapest municipal government defining the basic functions of each company as well as additional activities, in accordance with the principle that assets should not be dissipated but directed towards the company's chief purpose.

The Budapest municipality then appointed new commissions to supervise the firms, inspected their balance-sheets and established the procedure once the transfer of assets was complete.

Dissension had mainly to do with the interpretation of what assets were necessary for a company's basic activity. Proper market conditions did not exist; moreover, with the shortages, companies were obliged to accept responsibility for 'inputs' or services needed to pursue their activity. The situation is a characteristic one in

Eastern Europe. Consequently, nearly all the companies concerned set up a maintenance service for machines and vehicles, a construction and building maintenance unit, and on occasion a workshop to produce piping or parts for assembly, etc. Such specialized units found themselves generally underemployed, hence sought to place orders elsewhere, thus spawning a healthy secondary activity. It only needed the secondary to move into profit, unlike the main service, for the firm to seek to develop it. And when it came to transferring assets, the company was only too ready to claim that it stood to lose the activity which enabled it to finance its main task.

As mentioned above, various types of opposition arose across the country during the transitional phase affecting utilities. Three levels of ownership led to problems during the process of change. First, in relation to the infrastructure: underground piping, for instance, could officially be divided between localities. Then, functioning: when it comes to company functioning within this or that region, who is to define the rightful share in it that each locality can lay claim to, with no previous work having been done on the marginal cost involved? Division becomes a complex affair that may well prejudice normal functioning. Company assets constitute the third level and the question of secondary activities mentioned above (a problem encountered in Budapest as well). In the regions, workshops of this sort may belong to hundreds of localities; thus, breaking up the principal sector is not a definitive solution.

The instance of water supply and sewage treatment at a local level is a case in point. Formerly, there were twenty-eight companies in the business; they began breaking up into smaller regional and urban units until they numbered 160, still with no change in their status. A firm covering a particular area used to serve the main town and probably hundreds of small localities. Asset division and the inability of administrations, representing towns or villages, to recognize their common interests and achieve cooperation led increasingly to their trying to 'go it alone'. At the same time, the infrastructural network generally mirrored the former organization in the manner of its functioning, so did not lend itself to being divided up. Naturally enough, all this led to endless wrangling as well as to court cases. Heavily populated areas, large towns and their suburbs, may have profited by the change, but for the remainder the cost of water and sewerage went up considerably, further widening the gulf in living conditions between town and country.

The transformation of companies owned by local administrations into joint-stock companies

Concrete schemes for the conversion of the larger networks - water, gas, urban heating, sewerage - is well under way, water being at the most advanced stage. If the present scheme continues to apply, 80 per cent of the service company, with 3,000 employees and assets worth 16 billion forints ($160 million) can be regarded as representing the main activity; this nucleus will become a joint-stock company, exclusively owned by the municipality of Budapest, while the accessory shops (steel piping, vehicle spare parts and maintenance, etc.) will be sold off separately.

Elsewhere there are cases that present problems as to who are authorized shareholders. Legislation stipulates that the government must retain 50 per cent of shares plus one as a guarantee of state property, while in regard to local autonomy legislation provides for identical conditions in certain cases, such as water provision. There are five major companies supplying water throughout the country and, with the regulations governing price and their public utility obligations, they have virtually no chance of attracting capital other than from the government and independent local authorities. Furthermore, current regulations disallow any form of dividend distribution. It would need only a brief amendment to overcome the problem but the case serves to show how new difficulties constantly crop up and delay a programme that was seemingly well conceived.

Privatizing utilities poses a number of general problems to do with removing government control over prices, the natural monopoly position of certain utilities and the dearth of capital to enable recovery to take off. A foreign investor could bring in the capital but only in return for free price-fixing and a continuing monopoly position. With telecommunications and in part with gas, price regulation can be rapidly diluted but the change is a good deal slower with water, electricity, housing or public transport; and it has to be said that sometimes elected officials are reluctant to take the necessary steps.

A survey undertaken in Hungary in 1991 has looked at local government intentions in the matter of privatization. Elected representatives were questioned a year following their election in more than 200 municipalities (from a total of 3,070). Their views were calibrated on a scale of 0 to 100, 0 signifying total absence of any privatization project, 100 full implementation. Intentions in regard to privatizing fourteen sectors are given in Table 9.1. The list clearly shows services coming half-way down the list, with public utilities and transport - the stock urban services - in the middle. The sample taken from people living in the same localities provides figures which in general are 10 per cent lower than those for elected officials.[4]

The market issue of shares

If by privatization of urban services one means no more than private capital committed, Hungary affords no ground for assessment. An earlier survey in Budapest showed one single offer of capital as having been put forward by the city gasworks, an offer which, in order to be substantiated, required negotiation over several points, one of them probably being that the municipality retain a 51 per cent stake.

Most public utilities would like to raise prices. The company

Table 9.1 Intentions to privatize various sectors on the part of Hungarian municipalities

Sector	Percentage intending to privatize
Retail trade	82.5
Cinemas	74.3
Small industrial firms	74.3
State farms	46.1
Banks	42.2
Large industrial firms	42.2
Public utilities	37.4
Urban public transport	31.7
Regional public transport	31.7
Health care	28.5
Postal services	26.7
Schools	22.1
Railways	15.1
Prisons	3.4

managing the Budapest water supply has made known its desire to raise prices for water and sewerage, and a survey it has conducted calls for prices to be doubled.

With housing the situation is different. Housing is not a typical 'urban service', but the problems of low-rent municipal or state housing are frequently encountered in urban areas. The main problem has to do with the upkeep of buildings; a quarter of the 800,000 flats in Budapest are in buildings that date from before World War I. Expert opinion suggests that a rehabilitation programme in the centre of Budapest would cost around 500 billion forints ($5 billion) and affect 200,000 flats. Between the mid-1980s and the end of 1993, municipalities across the country sold off 200,000 state-owned flats to their tenants at between 15 and 30 per cent below market price, with a fixed interest rate of 3 per cent – advantageous conditions, it would seem, but purchasers were made to bear the backlog in lack of upkeep. The result has been that tenants in better residential districts have been able to purchase property of some value at reasonable prices, whereas flats in poor condition continue to be the responsibility of municipalities.

From an economic viewpoint, municipalities are better able to draw good revenue from ground-floor space when it is let to businesses. Such revenue, which provides 10–20 per cent of the local budget, can be earmarked for building maintenance, hence municipalities would sooner provide lettings for shops than hand over ownership. Once legislation on housing had been voted, Parliament saw an opportunity here for privatization by obliging municipalities to sell off commercial premises, a move not unconnected with the fact that the newly elected municipal officials were members of the parliamentary opposition or else independents.

Energy monopolies

In conclusion, we shall look at two major services in the energy sector; gas and electricity.

MOL, the Hungarian oil and gas company, was formed on 1 October 1991 on the foundations of OKGT, the national oil and gas consortium. The new company aims to lead the field in Hungary. Fifteen former subsidiaries out of a total of twenty-three (on the manufacturing and service side) have been shut down and a twodivisional (upstream/downstream) operating structure set up. The result is a streamlined limited-liability company with a workforce - cut by nearly half - of 23,000.

In the 1980s six companies supplying gas were members of OKGT. Five of them distribute gas throughout the country, excluding Budapest, the city gas company traditionally being the property of the municipality - now, independent government - of Budapest. The five companies mentioned belong to the Association of Gas Supply Companies, of which the Budapest company is still not a member.

The privatization process of these regional distribution companies was interrupted in May 1992 because of the lack of interest shown in the international market offer, whose closure was postponed indefinitely. In February 1994, AVRt intervened again in the process in anticipation of legislation on gas and some changes in energy-sector regulations. The new provisions follow the old in keeping a one-quarter stake plus one in each distribution company under state ownership.

MVMT had the nationwide responsibility for providing electrical energy and a virtual monopoly of production. This range of activity from source to consumer meant a workforce of about 40,000, making it one of the largest companies in Hungary.

On 1 January 19992, MVMT underwent conversion into a group of public companies, part being made up of the Hungarian electricity companies (MVM Rt). They were given the task both of managing company assets and of ensuring the operation and strategy of electricity production. By the terms of the Act of Conversion, the member companies became limited-liability companies with 50 per cent of capital belonging to the group and the remaining 50 per cent, corresponding to the distribution companies' stake, in the hands of the Authority for Public Property (AVÜ), minus shares that went to municipalities in exchange for the use of their land. By the terms of the 1992 Act on privatization, MVM Rt was required to transfer its stake to AVRt, which would provide long-term management. Then AVRt and AVÜ together set about privatizing the capital. This gave rise to fierce debate which lasted until November 1993, when the government modified the list of firms that were to remain under national ownership; whereupon AVRt took over the entire stake the state had held in the electrical industry which enabled the privatization launch to start on a uniform footing.

Local government also has a look-in as regards ownership of the energy sector. A tiny part - 2-3 per cent depending on area size - of the electricity supply companies' stake is allocated to municipalities. Further, urban heating companies are now no longer controlled by central government but by local administrations.

Conclusion

The purpose of this chapter has been to examine the context of urban services in Hungary and especially the problems that came in the wake of political change. Privatization tends to be seen as an end in itself and its objectives are not generally clarified. The best illustration of this is the fact that success measured in terms of revenue has been forsaken in order to proclaim that the priorities and true purpose of privatization awaited definition: organizational changes, an economic structure that accords with the market, greater transparency, or the rapid dismantling of nationalized firms and consequent budgetary relief, or else guaranteed capital inflow.

A number of questions need answering in regard to general economic policy. Privatization began in the sector with no preliminary statement, no agreement as to the method to be used in administering a public utility nor as to the attitude to be taken up by local government in this respect.

Public utilities reflect the economic policy of the past forty years. In the absence of market conditions, they tended to take less notice of consumers since their survival and development depended chiefly on the size of the budget slice they received. In the recent past they have had to adapt to rapid and somewhat eccentric changes in the system of regulations, whereby they have been forced to abandon the circumspection proper to planning preparation and which in other circumstances they would sooner have chosen.

Consequently, whereas central and local government have been rather slow in determining the prospects and long-term context of privatization, the firms directly involved have been equally reluctant to give the matter consideration and devise long-term strategies; they have allowed themselves to be bogged down by the question of distribution policy.

This question, then, has tended to dictate a bit-by-bit application of privatization, with the persistence of negotiation over unresolved issues that pre-date it, and no one seems to know whether a slower or more cautious approach for public utilities represents an advantage or a disadvantage in the overall process.

In Budapest, privatization is being implemented less rapidly than was expected but in a systematic way. A first phase has seen all the public utilities audited. Transfer of assets at the end of 1992 has marked a second phase, with these firms passing into the control of local government. In 1993, firms were converted into joint-stock companies under sole ownership. This step will be followed by full or partial privatization of each company.

Notes

1. Privatization here implies change in the ownership of state assets. A further significant trend at the start of the 1980s was the growing number of small and medium-sized firms in trade, industry and agriculture as well as in certain services.
2. For the twenty-two districts of Budapest there are twenty-two independent administrative bodies, each led by a mayor. The capital itself forms the twenty-third, its mayor the mayor of Budapest. Prerogatives drawn up in 1990 are now being put into effect and certain anomalies are appearing.
3. The following sectors are represented: transport, water supply, sewerage, maintenance of public property, cleaning, heating, gas supply, chimney-sweeping, funeral undertaking, swimming baths, upkeep of green spaces, property maintenance, cinemas and leisure activities. Power stations, telecommunications and railways are not within the competence of the authorities of the capital, though theoretically they should be.
4. In my opinion privatization has come to be more acceptable since 1991.

PINTER
A Cassell Imprint
Wellington House, 125 Strand, London WC2R 0BB
PO Box 605, Herndon, VA 20172

First published in Great Britain in 1997

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN 1 85567 364 9 (H/B)
1 85567 365 7 (P/B)

Library of Congress Cataloging in Publication Data
Privatisation des services urbains en Europe. English
The privatization of urban services in Europe/edited by Dominique Lorrain and Gerry Stoker.
p. cm.–(Social change in Western Europe)
Includes bibliographical references (p.).
ISBN 1-85567-364-9.–ISBN 1-85567-365-7 (pbk.)
1. Municipal services–Europe, Western. 2. Privatization–Europe, Western. I. Lorrain, Dominique. II. Stoker, Gerry. III. Series.
HD4644.A5P7513 1996
363'.094–dc20 96-13
CIP

Typeset by BookEns Ltd., Royston, Herts.
Printed and bound in Great Britain by Redwood Books, Trowbridge, Wiltshire

As the cost of urban services rises, leaders of municipal governments are turning more and more to the private sector – a trend which has been encouraged by the spread of free market doctrine and intensive marketing campaigns by international providers.

In spite of this, variations in approach are apparent from country to country. These range from ambivalence in France, to strong advocacy and commitment in Britain (at least at the national level), to a consensus for shared provision in Germany. Meanwhile, Spain, Eastern Europe (Hungary and Poland), and Latin America have yet to decide which option to follow.

This timely book presents an informed discussion of the transformations which have occurred as well as the difficulties that municipal governments continue to face.

Dominique Lorrain holds a CNRS research appointment at the Centre d'etudes des mouvements sociaux in Paris. He is the author of a number of articles on urban government in *Sociologie du Travail*, as well as in other publications.

Gerry Stoker is Professor of Political Science at the University of Strathclyde. He also directs the research programme on local governance at the Economic and Social Research Council. In addition to a number of articles and studies, he is the author of *The Politics of Local Government* (2nd edition, 1992).

PINTER
A Cassell Imprint
Wellington House
125 Strand
London WC2R 0BB

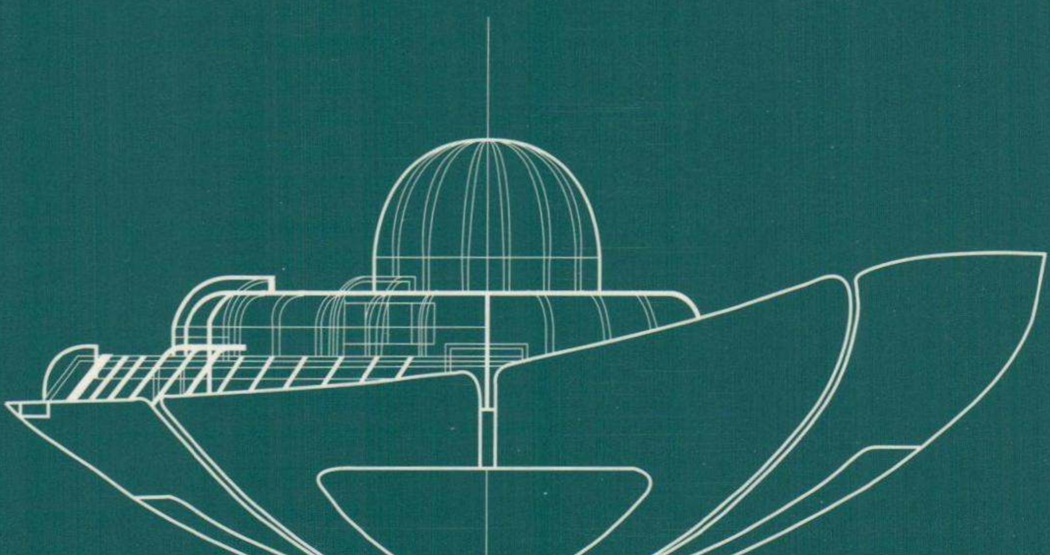
PRINTED IN GREAT BRITAIN

ISBN 1 85567 365 7

9 781855 673656

The Privatization of Urban Services in Europe

Edited by Dominique Lorrain and Gerry Stoker



SOCIAL CHANGE IN WESTERN EUROPE