Hungary: Water and Wastewater Industry

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Summary

In Hungary public water services are provided by state-, municipality- and jointly-owned water utilities. The public drinking water supply is available in every town but much of the infrastructure urgently needs improvement. Despite recent upgrades, Hungary's wastewater utilities still lag behind those of advanced EU states.

Market Demand

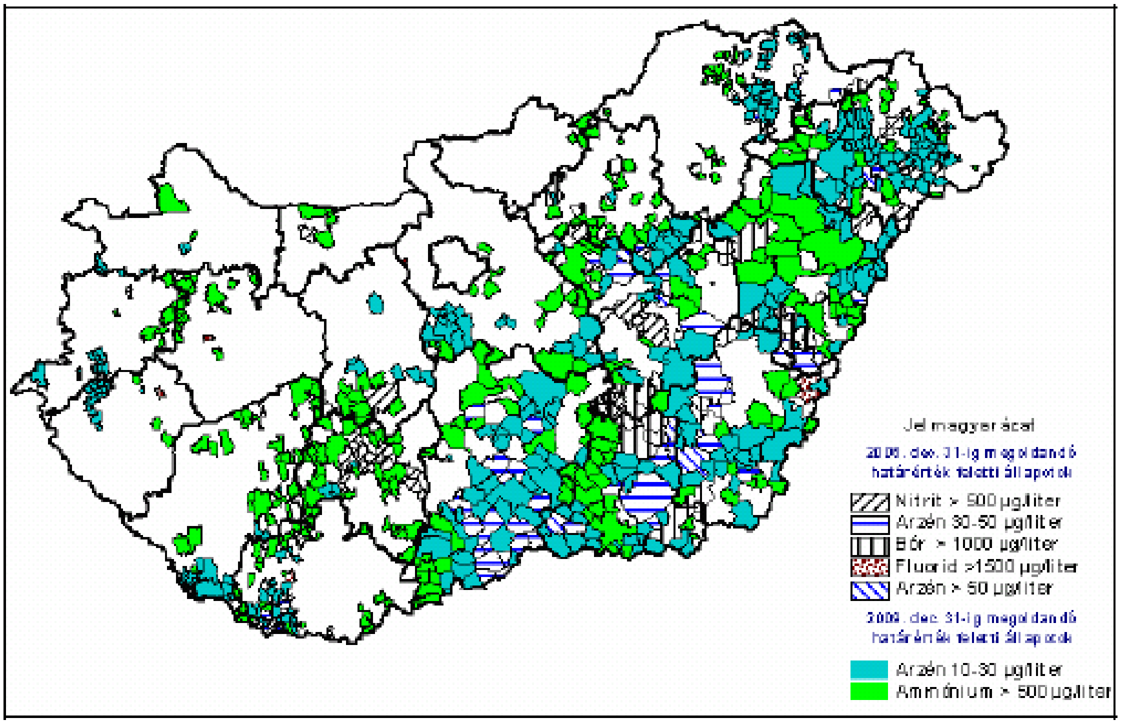
The EU has provided 22.4 billion euros (USD 32.7 billion) to Hungary, from 2007-13, to finance infrastructure upgrades, as part of the New Hungary Development Plan. Water and wastewater-related projects are among the areas of focus. These include: wastewater treatment, water quality, waste management, remediation, re-cultivation, Water Framework Directive, nature protection (NATURA 2000 areas, habitat protection, and bird protection), renewable energy, energy efficiency, sustainable consumption and environmental protection. About 200 billion HUF (USD 1.2 billion) and 1,000 billion HUF (USD 5.8 billion) has been projected to be spent on water and wastewater, respectively. Hungary has recently requested an extension of the deadline on commitments made to improve overall drinking water quality. The European Union rejected the request and encouraged local governments to be more active in applying for EU funding.

Drinking water quality and supply

Drinking water is available in every town in Hungary, with 94.9 percent of households connected to the drinking water supply. However, a considerable proportion of the network does not meet EU or Hungarian standards. About 2.5 million people – 25.1 percent of Hungary's population – in 873 municipalities are supplied by "unsatisfactory" water (i.e., water contaminated with unacceptably high levels of arsenic, nitrite, boron, fluoride or ammonium). Improving this situation is a high Hungarian government priority.

About 97 percent of Hungary's water supply comes from underground sources, and the country has more than 1600 water bases. In addition, there are 75 prospective water base areas that have development possibilities and could be used for strategic reserves. All of Hungary's prospective - and 600 currently operating - water bases are located in ecologically and geographically vulnerable areas. Almost 6 million people are affected by vulnerable water supplies, which is more than 60% of total built up capacity.

Figure 7 Settlements affected by the improvement of drinking water quality, by main water pollutants (Legend: Limit values exceeded and solutions to be found before 31 December 2006 for: nitrate, arsenic, boron, fluoride, arsenic over 50; limit values exceeded and solutions to be found before 31st December 2009 for: arsenic, ammonium)



Source: Environment and Energy Operational Program 2007-2013 of the Hungarian Government

In 2001, the National Drinking Water Improvement Program was established to (a) ensure that drinking water supply fulfills all safety requirements; (b) reduce regional differences in drinking water quality; and (c) improve the water level and the safety of the supply. New investments will continue these objectives, with a focus on a comprehensive drinking water improvement process. Key elements in this initiative will include individual projects, certain settlements (or parts thereof) and future technical interventions, such as building out water treatment technology, switching to other water bases, switching to other water supply systems, reconstructing the existing drinking water pipeline systems and/or a combination of these solutions.

Wastewater Treatment

In 2008, the public utility gap – that is, sewer length per one kilometer of water supply pipe – was still almost 30 percent with only 53 percent percent of all settlements and 71.3 percent of all dwellings connected to wastewater collection systems. This is already a significant improvement since 1990, when 14 percent of the settlements and 41.6 percent of dwellings were supplied with public sewage.

Year	Settlements		Dwellings		Length of public sewerage, km	Length of public sewerage network per one km water-conduit network, m
	supplied with public sewerage					
	total	in % of all settlements	total	in % of all dwellings		
1990	429	14,0	1 616 714	41,6	11 964	228
1991	437	14,2	1 648 703	42,1	12 524	231
1992	447	14,5	1 679 988	42,7	12 933	234
1993	456	14,7	1 701 977	43,0	13 815	245
1994	460	14,8	1 724 746	43,4	14 902	260
1995	514	16,4	1 761 471	44,2	15 683	266
1996	547	17,5	1 801 687	44,9	16 974	284
1997	647	20,7	1 855 322	46,0	18 472	304
1998	724	23,1	1 925 604	47,6	20 922	342
1999	794	25,4	1 992 516	49,1	22 732	367
2000	854	27,2	2 078 762	51,0	24 683	396
2001	992	31,6	2 179 085	53,4	27 233	435
2002	1 156	36,9	2 299 383	56,0	30 536	484
2003	1 302	41,9	2 298 888	59,1	33 268	522
2004	1 392	44,2	2 595 470	62,2	35 447	551
2005	1 469	46,7	2 733 853	64,9	36 863	570
2006	1 545	49,1	2 856 674	67,4	38 744	597
2007	1 607	51,0	2 979 885	69,8	40 530	621
2008	1 669	53,0	3 066 861	71,3	41 897	643

Source: Hungarian Central Statistical Office

At the same time, the utilization rate of the treatment capacity of plants is very low, with only 32 percent going through level III cleaning (nutrient removal). In parallel with sewage collection, alternative wastewater treatment solutions – e.g., close-to-nature wastewater treatment, individual wastewater disposal - have not widely spread.

In a continuation of the National Municipal Wastewater Collection and Treatment Program, Hungary aims to construct wastewater collection and treatment systems and facilities, including works for the treatment of liquid waste; extend and modernize existing wastewater treatment and wastewater collection systems; develop wastewater sludge treatment and recycling; and, in the framework of diverse and comprehensive technical projects, begin “semi-natural” and “unique” wastewater treatment where sewerage is not justified by environmental or economic reasons.

In addition, at settlements or part of settlements in highly vulnerable areas without a sewer system, where professional, individual wastewater disposal is not an option, the Government of Hungary aims to ensure the transportation of adequate liquid waste (on road), treatment and development of utilization. Hungary also aims to reduce the generation of municipal liquid waste and improve and expand sludge treatment and utilization.

The development of the wastewater collection and treatment systems has to be in harmony with other infrastructure development investments (for example, development of rainwater collection systems), to avoid extra costs caused by repeated operations in the same area (for example, re-pavement). Selection among options – as long as they comply with legal regulations – is based on long-term cost efficiency.

Market Data

The annual per capita water consumption was $36m^3$ in 2008, down from $55.8m^3$ in 1990. By 2008 the total pipe network was 65 194 kilometers, 24 percent more than in 1990.

In 2008, spending in the environmental sector was USD 1.3 billion. According to Hungary’s Central Statistical Office, wastewater treatment now accounts for forty percent of all environmental spending, protection of soil and groundwater quality for seven percent.

Best Prospects

The following technologies / equipment are expected to offer best sales prospects in the coming years:
(1) technologies to improve the quality of drinking water, especially technologies that remove arsenic
(2) alternative wastewater treatment solutions (close to nature wastewater treatment, individual wastewater disposal); and
(3) monitoring devices and systems
(4) pumps

Key Suppliers

Major suppliers to the water utilities industry are companies undertaking outsourced activities. A wide variety of business activities are outsourced by water utilities companies, including construction, civil engineering, laboratory services and administrative functions. Such activities are generally provided under a fixed term contract by suppliers providing a degree of power by increasing switching costs for water utilities companies.

Hungary’s water industry is dominated by foreign companies. French (Veolia, Suez Environment), German (RWE, Berlinwasser) and Austrian (Purator) presence is especially strong. The most significant U.S. player is GE Zenon, maker of water and wastewater membrane technology. Important consulting and implementation companies include: Vituki Consult Rt., Öko Zrt., Aquaprofit Zrt., Viziterv Consult Kft and Vegyépszer Zrt.

Prospective Buyers

The largest end-users of water pollution control equipment are the water/wastewater works companies. Following the major economic and political changes in 1989, Hungarian local authorities were given ownership rights for about 80 percent of the water works facilities. There are currently five large regional water works companies and more than 300 local, municipality-owned smaller ones. In many cases the smaller plants operate uneconomically, therefore it is likely that they will merge over the long term. Water supply and sewage services are provided often by the same company; however, there are a number of waterworks dealing only with water and there are a few dealing only with wastewater. For example in Budapest there are two service companies: Budapest Water Works provides water supply, while Budapest Sewage Works is responsible for the wastewater management. Dunántúli

Regionális Vízmű (Transdanubian Regional Waterworks Co) on the other hand provides water supply, sewage treatment and maintenance of the water infrastructure.

The other major group of end-users of water pollution control equipment includes the chemical, petrochemical, pharmaceutical, energy and food processing industries.

Market Entry

Utilities

For private-sector players, it is not possible to compete directly for end-users; instead, companies must usually bid for contracts to supply all customers within a geographic region. Fixed costs are high, since the water supply industry involves the running of water treatment plants and other large-scale facilities regardless of the revenues generated. Exiting the industry can be costly, especially if a player has invested substantially in infrastructure.

Technologies / Equipment

Environmental products and technologies are marketed in Hungary mainly through local engineering firms and/or agents and distributors of environmental equipment and instruments. It is essential for U.S. firms to have a local affiliate or representative, who keeps contact with key decision makers, knows the local business practices and is able to provide technical assistance and after-sales service. Forming a joint-venture with a Hungarian company is also an excellent way to penetrate the market

Public Procurement

Once contracting authorities have agreed to support a particular action with the help of EU funds, this project needs to be tendered according to the EU Public Procurement Directives. The type of the project and its total cost will determine whether it falls under the scope of the EU public procurement directives or, if under the agreed thresholds, it is subject to national legislation on public contracts.

Eligibility to receive EU funding for projects is restricted to Europe-based firms. However, U.S. firms may participate in projects receiving EU funding via two methods. 1) U.S. subsidiaries located in any of the 25 European Union countries, and legally registered, are considered "European firms", and, as such, are eligible and 2) U.S. firms without European subsidiaries may partner with a European firm to be eligible for a particular project. An EU-based local partner is required to ensure access to funding.

U.S. companies interested in the Hungarian market should strongly consider partnering with a local firm unless they plan to open their own subsidiary. The local partner should be able to provide information on local business practices, rules and regulations, decision-making processes and provide technical assistance. Selling to the public sector requires participation in public bids, where Hungarian engineering and consulting companies can be of significant help.

The U.S. Commercial Service at the U.S. Mission to the European Union offers a tool on its website to help U.S.-based companies identify European public procurement opportunities. See:
http://www.buyusa.gov/europeanunion

Market Issues & Obstacles

Technical specifications are the same as in other EU countries, including ISO, CEN, CENELEC and CE marking.

With Hungary's accession to the European Union on May 1, 2004, Hungary adopted the EU's common external tariff (CXT) rates. Tariff assessment and all other customs procedures take place at the first port of entry into the EU. However, Hungary still collects the Value Added Tax (VAT) on all goods with Hungary as a final destination. VAT is now 25 percent on most products and services.

Events

Ökotech 2010
May 4-7, 2010
Budapest, Hungary
www.okotech.hungexpo.hu

Öko-Aqua 2010
June 16 – 18, 2010
Debrecen, Hungary
www.oko-aqua.hu

ECSM: European Scientific Conference on Sludge Management
September 9-10, 2010
Budapest, Hungary
http://ecsm2010.kszgysz.hu

Ökoindustria
November 16-18, 2011
Budapest, Hungary
http://en.okoindustria.hu/

Resources & Contacts

Association of Environmental Service Providers and Manufacturers
http://www.kszgysz.hu

Development Directorate of the Ministry of Environment and Water
http://www.fi.kvvm.hu

Central Directorate for Environment and Water
http://www.ovf.hu

Hungarian Water Utility Association
http://www.maviz.org

Ministry of Environment and Water
www.kvvm.hu

National Development Agency
http://www.nfu.hu

TED: Tenders Electronic Daily
http://ted.europa.eu/

For More Information

The U.S. Commercial Service in Budapest, Hungary can be contacted via e-mail at: agnes.pandur@mail.doc.gov; Phone: +36-1-475-4198; Fax: +36-1-475-4646; or visit our website: http://www.buyusa.gov/hungary/hu

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