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## The mass give-away – lessons learnt from the privatization of housing in central and eastern Europe

**In the 1990s, western European countries rushed to demonstrate their know-how to the emerging democracies in central and eastern Europe. A myriad of economic models were introduced, and good and bad experience gained.**

# As regards the privatisation of public services, one telling example is the transformation of public-sector housing into private stock. In the United Kingdom, under the reign of Margaret Thatcher, 2 million public rental units out of a total stock of 6 million were privatised over a period of 15 years. The central and eastern European countries have surpassed this “achievement”. Between 1990 and 1994, privatisation affected 3.1 million rental flats out of a public rental stock of 10 million, i.e. 31% (not including Russia, see Hegedüs-Mayo-Tosics, 1996). The “winners” of the privatisation race were the south-eastern European countries, where 77% of the public stock was rapidly sold off to the sitting tenants.

This “give-away” privatisation in the transition countries was probably the fastest and biggest property transfer procedure in history. Privatisation was particularly conspicuous in the large cities, where the share of the public rental stock was highest.

At the time, the public housing sector in central and eastern European countries was beset by a number of problems. All operations – rent policy, social benefits, allocation criteria, maintenance systems – were determined by the central public bodies. Political influence played a role: housing was allocated on the basis of merit rather than social need. Institutional monopolies were created at all levels to run the public rental sector.

### **The CEECs surpassed the UK**

While there was a clear need for modernisation, mass “give-away” privatisation to sitting tenants was not the best option. It has had a number of side-effects, such as increased housing inequalities between better-off and poorer families, increased socio-spatial differentiation (lower-income house-owning families have had to leave the wealthier neighbourhoods), growing disparities in maintenance in the multi-family housing sector (more renovation in the better districts but continuing deterioration in poorer areas), the emergence of social problems and – as public rental stock diminished – decreasing opportunities for homeless people.

What alternatives were there? How could the social rental sector have been made more efficient, if not through mass privatisation? The main task of the social rental housing sector is to ensure the basic aims of affordability, quality and accessibility.

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## **Integrated traffic systems**

—The draft regulation has prompted more than 500 tabled amendments at European parliamentary committee level alone, thus increasing doubts about whether it can be carried through. The proposed amendments indicate that there is little convergence of views among the Member States and the various parliamentary groups. The various positions cannot, for the time being, be grouped into general trends. Arithmetical calculations to determine what would happen under the codecision procedure show that the draft is not likely to be adopted in its present state.

The main objections raised, from a legislative and ideological point of view, are that the proposal imposes controlled competition without providing for any other option. This rigid approach could be interpreted as undermining the principle of subsidiarity and municipal autonomy. The principle of putting urban and non-urban areas on an equal footing is also questionable, given the complexity of – and organisational differences between – urban, metropolitan and regional transport systems in the various Member States. There is a clear lack of understanding of the concept of “integrated system”, i.e. the set of procedures and methods needed to ensure the proper operation of complex public networks in a city. This could significantly affect the quality and efficiency of public transport in large urban areas, and consequently increase the use of private cars. No consideration has been given to the sophisticated mobility patterns and requirements of polycentric urban areas: highly integrated systems are the only viable means of coping with the dense traffic in conurbations.

And what about the duration of contracts once the regulation enters into force? The percentage of subsidies allowed? The future prospects of current employees? Security? Infrastructure ownership and management? All these questions remain to be answered. The new regulation can contribute to meeting many of the current and future challenges facing public transport, but it would need to be substantially altered. Above all, it must deal with the various modes of transport separately. The Paris métro and the Dutch inland waterways cannot be regulated in the same way, even though both are public passenger transport systems. #

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