

Maintaining rail infrastructure

Changes have taken place in the administration of Finland's rail infrastructure in the past 15 years. In 1995 the Finnish State Railways, which operated as an unincorporated enterprise, was split into two parts. The Finnish Rail Administration was established to take over official tasks and managing the rail network. The other part was incorporated to form VR Group. Subsequently certain tasks were shifted from the Finnish Rail Administration to the Finnish Rail Agency, which was established in 2006.

The Finnish Rail Administration has spent about 300 million euros of state budget funds a year on basic infrastructure management. A small portion (15-20%) of total financing for basic infrastructure management has come from charges that are levied by the Finnish Rail Administration, including charges that are collected from operators. Basic infrastructure management mostly consists of maintaining the rail network.

The main question in the audit concerned what kind of framework the information base that is used in steering infrastructure management provides for effective activities. In connection with this, the audit strove to determine how well objectives with regard to maintaining the condition and value of rail assets and the level of service in the rail network have been achieved.

The audit found that objectives with regard to maintaining the assets for which the Finnish Rail Administration is responsible or the level of these assets have not been spelled out unequivocally and clearly. Regulations and different steering documents have been general and open to interpretation on closer inspection. On the basis of the audit, it is difficult to give a simple answer as to whether objectives have been achieved in maintaining the rail network. The terminology used in infrastructure management has varied, which makes it harder to understand what is presented, make comparisons and observe changes. Actors' and reporters' interpretation of objectives and reporting on the achievement of objectives as a whole

have not given a very good picture of the steering of infrastructure management. The role played by Parliament and the Ministry of Transport and Communications in the overall steering of rail services and the rail network has been minor. In practice the Finnish Rail Administration has mainly decided on the content and objectives of infrastructure management.

The information that is provided to Parliament concerning even significant changes in objectives has been incomplete, for instance with regard to costs. To allow Parliament to exercise genuine steering power, as far as essential matters are concerned, maintaining the rail network and solutions influencing it should be brought within the scope of parliamentary decision-making in a clearer form.

Maintenance measures and resources have not been allocated equally to different line sections so as to achieve a similar service level. Instead busy line sections have been kept on a higher level than line sections with low traffic volumes. Such targeting of maintenance activities is financially sound, since resources are not sufficient to keep all line sections in equally good condition or raise them to an equally high level. Nor is there any good reason to maintain line sections that are not expected to have sufficient utility or value in future. In considering whether to decommission a particular line section, however, the impact on the logistic whole formed by the entire transport system over the longer term should also be studied and attention should be paid to other types of values besides utility value.

The audit indicated that repeatedly increasing financing for infrastructure management with supplementary appropriations that are granted during the course of each year is not the best possible way from the viewpoint of annual programming and the efficient implementation of track work. Track work costs more and takes longer if it has to be carried out in small gaps between scheduled train services than if it is completed at one go. Such a procedure does not facilitate planning, either. In programming maintenance and replacement investments in the rail network, the real level of financing should be basic information in programming work.

The value of lines and its development have been described in the state administration's reports mainly as balance sheet figures. According to reporting information, annual financing for replacement investments should be at least as high as annual depreciation

so that the value or condition of the rail network will not decline. The balance sheet value of rail infrastructure and the amount of depreciation that is booked annually are not proper tools on which to base the steering of infrastructure management, for example, if the goal is to ensure the utility value or service level of parts of the rail network from a broader perspective.

Reporting in its present form should take into account what present balance sheet values describe and what they do not describe and should state more precisely what can be deduced by studying changes in balance sheet values and depreciation. From a broader perspective, in order to obtain an adequate picture of the development of the value and utility of the rail network and a sufficient level of maintenance and investments, other information besides balance sheet figures should also be used.

The booking and calculation of balance sheet values for the rail network should be developed so that balance sheet values are available for individual line sections, in accordance with a statement that was issued by the Accounting Board. Changes should be made in the balance sheet values of line sections whenever these are necessary to improve their usability, such as changes in utility values resulting from changes in demand.